

**Audited Financial Statements**

# **Cole Academy**

Lansing, Michigan

**June 30, 2025**

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## **Independent Auditors' Report**

Board of Directors and Management  
**Cole Academy**

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cole Academy (the "Academy"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy, as of June 30, 2025, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2025 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*CBIZ CPAs P.C.*

Rochester, MI  
November 1, 2025



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**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Board of Directors and Management of  
**Cole Academy**

We have audited, in accordance with the auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cole Academy (the "Academy"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated November 1, 2025.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CBIZ CPAs P.C.*

CBIZ CPAs P.C.  
Rochester, MI

November 1, 2025

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Cole Academy’s (the Academy) annual financial report presents our discussion and analysis of the Academy’s financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

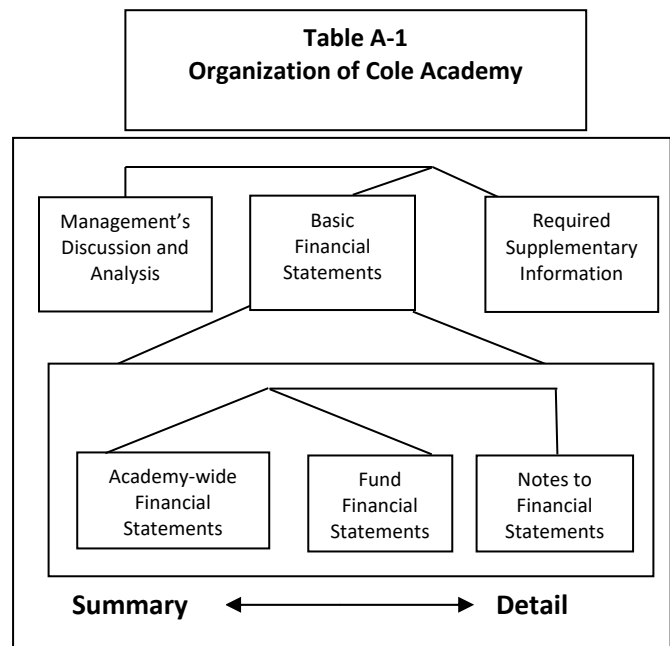
## FINANCIAL HIGHLIGHTS

- The Academy had an increase in fund balance in the general fund of \$205,465 compared to a budgeted increase of \$249,805. This gives the Academy a fund balance in the general fund of \$1,819,724.
- The total net position increased by \$246,838.
- Overall revenues were \$4,629,527.
- The total cost of instruction programs increased approximately \$80,200.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are *Academy-wide financial statements* that provide both *short-term* and *long-term* information about the Academy’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Academy, reporting the Academy’s operations *in more detail* than the Academy-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Table A-1 shows how the various parts of the annual report are arranged and related to one another.



Table A-2 summarizes the major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Table A-2 Major Features of the Academy-wide and Fund Financial Statements**

	Academy-wide statements	Governmental funds
Scope	Entire Academy (except fiduciary funds)	The activities of the Academy that are not proprietary or fiduciary, such as special education and building maintenance
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

### **ACADEMY-WIDE STATEMENTS**

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy's net position and how they have changed. Net position - the difference between the Academy's assets and liabilities, are one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school districts.

In the Academy-wide financial statements, the Academy's activities:

- Governmental activities - The Academy's basic services are included in here, such as regular education and special education, transportation and administration. State foundation aid finances most of these activities.

### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by debt agreements.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like food services).

All of the Academy's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or difference) between them.

### **FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE**

Net position - the Academy's combined net position of \$3,671,231 increased by \$246,838 during the year, (see Figures A-3 and A-4).

The total general and program revenues decreased by 10.5% to \$4,629,527. State aid foundation allowance included in revenue from state sources accounts for 73% of the Academy's general and program revenues in 2025.

The total cost of instruction decreased by 126.% to \$1,905,813. Total support service increased 2.8% to \$1,580,294.

<b>Figure A-3</b> <b>Cole Academy Net Position</b>		
	2025	2024
Current assets	\$ 2,433,528	\$ 2,460,312
Capital assets	6,456,935	6,699,437
Total assets	8,890,463	9,159,749
Current liabilities	3,582,859	3,893,298
Long-term liabilities outstanding	1,636,373	1,842,058
Total liabilities	5,219,232	5,735,356
Net position:		
Net investment in capital assets	1,493,658	1,425,867
Restricted for debt service	315,492	318,494
Restricted for food service	56,802	81,630
Unrestricted	1,805,279	1,598,402
Total net position	\$ 3,671,231	\$ 3,424,393

<b>Figure A-4</b> <b>Changes in Cole Academy Net Position</b>		
	2025	2024
Revenues:		
Program revenues:		
Federal and state categorical grants and contributions	\$ 828,959	\$ 1,251,873
Charges for services	-	-
General revenues:		
State aid - unrestricted	3,362,818	3,423,002
Other	437,750	499,674
Total general revenues	3,800,568	3,922,676
Total revenues	4,629,527	5,174,549
Expenses:		
Instruction	1,905,813	2,179,460
Support services	1,580,294	1,537,496
Community service	14,953	14,328
Food service	268,498	254,375
Site improvement services	9,995	23,301
Interest and fees	320,557	319,792
Unallocated depreciation/amortization	282,579	282,336
Total expenses	4,382,689	4,611,088
Change in net position	\$ 246,838	\$ 563,461

## **FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS**

The financial operation of the Academy as a whole is reflected in its governmental funds as well. As the Academy completed the year, its governmental funds reported combined fund balances of \$2,196,712, which is \$177,780 higher than last year's ending fund balances of \$2,018,932.

The Academy's general fund had more revenues than expenditures by \$205,465. The food service fund had more expenditures than revenues by \$24,682. Overall, the Academy had an increase in total fund balance.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget projected a decrease in the fund balance of \$235,150; however, mid-year budget amendments were made to align both revenues and expenditures with updated projections. Throughout the year, the Academy remained diligent in controlling spending, ensuring that financial resources were allocated effectively to maintain a positive fiscal position.

The Board of Education received monthly updates on the Academy's financial health, and significant improvements were made in both revenue generation and expense management, especially following the final budget revision in June 2025. As a result, actual general fund revenues exceeded the original budget by \$304,493, while actual expenditures came in under budget by \$273,510, following the final budget adjustments.

This year, as in previous years, our focus on strict budgetary discipline allowed the Academy to successfully manage expenditures, keeping them well within the revised budget parameters.

## **CAPITAL ASSETS**

By the end of the year ended June 30, 2025, the Academy had invested \$6,456,935 in capital assets consisting primarily of land, buildings and improvements, technology and vehicles net of accumulated depreciation/amortization. This amount represents a net decrease in capital assets of \$242,502 from the beginning of the year. More detailed information about capital assets can be found in Note 5 of the financial statements. Total depreciation/amortization expense for the year was \$282,579.

The Academy's capital assets are as follows:

<b>Figure A-5</b>				
<b>Cole Academy Capital Assets</b>				
	<b>2025</b>			<b>2024</b>
	<b>Cost</b>	<b>Accumulated depreciation/ amortization</b>	<b>Net book value</b>	<b>Net book value</b>
Building	\$ 7,090,278	\$ 1,932,111	\$ 5,158,167	\$ 5,302,321
Improvements	523,602	239,323	284,279	312,960
Equipment	753,579	506,254	247,325	310,428
Right to use - assets	31,176	14,012	17,164	23,728
Land	750,000	-	750,000	750,000
Total	<u>\$ 9,148,635</u>	<u>\$ 2,691,700</u>	<u>\$ 6,456,935</u>	<u>\$ 6,699,437</u>

### **FACTORS BEARING ON THE ACADEMYS FUTURE**

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

- The Academy budgeted a foundation allowance of \$10,000. This is consistent with the 2024-2025 foundation allowance of \$9,608. It is important to note that, at the time of this report, the actual foundation allowance is reported to be \$10,050.
- The Academy closely monitors enrollment and budgeted a conservative blended pupil count of 300 students, a decrease from prior fiscal year blended count of 305, which is consistent with the state decline in pupils.
- The Academy continues to utilize state and federal funds to increase remediation and acceleration of the core curriculum in classrooms and expand Positive Behavior Interventions and Supports.
- The Academy adopted a general fund budget for 2025-2026 in which expenditures exceed revenues by \$385,000, which was conservative at the time based on estimates received from the State of Michigan.
- The Academy will continue to make financial strides throughout the 2025-2026 fiscal year to improve the financial position.
- The Academy, due to its positive financial impact over the past five years, is planning to consolidate debt in the 2028-2026 fiscal year to capitalize on improved interest rates.

### **CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 1915 West Mount Hope Road, Lansing, Michigan, 48910. Phone (517) 372-0038.

# COLE ACADEMY

## STATEMENT OF NET POSITION JUNE 30, 2025

### ASSETS

#### Current Assets

Cash	\$ 1,304,593
Investments - restricted for debt service	315,301
Due from other governmental units	791,994
Prepaid expenses	16,946
Inventory	4,694
	<hr/>
Total current assets	2,433,528

#### Capital Assets - Net of Accumulated Depreciation / Amortization

6,456,935

Total assets	<u>\$ 8,890,463</u>
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### LIABILITIES AND NET POSITION

#### Current Liabilities

Accounts payable	\$ 51,028
Unearned revenue	48,225
Other accrued liabilities	156,702
Long-term debt - current portion	3,326,904
	<hr/>
Total current liabilities	3,582,859

#### Long-Term Debt - Long-Term Portion

1,636,373

#### Net Position

Net investment in capital assets	1,493,658
Restricted	372,294
Unrestricted	1,805,279
	<hr/>
Total net position	3,671,231
	<hr/>
Total liabilities and net position	<u>\$ 8,890,463</u>

See accompanying notes to financial statements

# COLE ACADEMY

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants	Government Type Activities
	Expenses			
<b>Functions</b>				
Instruction				
Basic programs	\$ 1,321,672	\$ -	\$ 193,541	\$ (1,128,131)
Added needs	584,141	-	391,602	(192,539)
Support services				
Pupil support services	238,308	-	-	(238,308)
Instructional staff support services	69,919	-	-	(69,919)
General administration	304,030	-	-	(304,030)
School administration	322,555	-	-	(322,555)
Business support services	171,178	-	-	(171,178)
Operations and maintenance	296,262	-	-	(296,262)
Pupil transportation services	733	-	-	(733)
Central support services	177,309	-	-	(177,309)
Food services	268,498	-	243,816	(24,682)
Community services	14,953	-	-	(14,953)
Site improvement services	9,995	-	-	(9,995)
Unallocated depreciation / amortization	282,579	-	-	(282,579)
Unallocated interest	320,557	-	-	(320,557)
Total primary government	<u>\$ 4,382,689</u>	<u>\$ -</u>	<u>\$ 828,959</u>	<u>(3,553,730)</u>
<b>General Purpose Revenues</b>				
State school aid - unrestricted				3,362,818
Miscellaneous revenues				<u>437,750</u>
Total general purpose revenues				<u>3,800,568</u>
Change in net position				246,838
Net position - July 1, 2024				<u>3,424,393</u>
Net position - June 30, 2025				<u>\$ 3,671,231</u>

See accompanying notes to financial statements

# COLE ACADEMY

## COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2025

### ASSETS

	General	Debt Service	Non-Major Special Revenue - Food Service	Total
Cash	\$ 1,304,593	\$ -	\$ -	\$ 1,304,593
Investments	-	315,301	-	315,301
Due from other governmental units	791,133	-	861	791,994
Due from other funds	12,937	-	57,852	70,789
Prepaid expenses	16,946	-	-	16,946
Inventory	-	-	4,694	4,694
Total assets	<u>\$ 2,125,609</u>	<u>\$ 315,301</u>	<u>\$ 63,407</u>	<u>\$ 2,504,317</u>

### LIABILITIES AND FUND BALANCE

#### Liabilities

Accounts payable	\$ 49,565	\$ -	\$ 1,463	\$ 51,028
Due to other funds	70,980	(191)	-	70,789
Unearned revenue	47,777	-	448	48,225
Other accrued liabilities	<u>137,563</u>	<u>-</u>	<u>-</u>	<u>137,563</u>
Total liabilities	305,885	(191)	1,911	307,605

#### Fund Balance

Nonspendable	16,946	-	4,694	21,640
Restricted	-	315,492	56,802	372,294
Unassigned	<u>1,802,778</u>	<u>-</u>	<u>-</u>	<u>1,802,778</u>
Total fund balance	<u>1,819,724</u>	<u>315,492</u>	<u>61,496</u>	<u>2,196,712</u>
Total liabilities and fund balance	<u>\$ 2,125,609</u>	<u>\$ 315,301</u>	<u>\$ 63,407</u>	<u>\$ 2,504,317</u>

See accompanying notes to financial statements



## COLE ACADEMY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2025

Amounts reported for governmental activities in the statement of net position are different because:

<b>Total Governmental Fund Balances</b>	\$ 2,196,712
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$9,148,635 and the accumulated depreciation / amortization is \$2,691,670.	6,456,935
Interest is not payable until due in governmental activities and, therefore is not recorded in the funds.	(19,139)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,963,277)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 3,671,231</u></u>

See accompanying notes to financial statements

# COLE ACADEMY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2025

	General	Debt Service	Non-Major Special Revenue - Food Service	Total
<b>Revenues</b>				
Local sources	\$ 101,443	\$ 14,834	\$ 1,484	\$ 117,761
State sources	3,805,372	-	33,397	3,838,769
Federal sources	142,589	-	208,935	351,524
Interdistrict sources	321,473	-	-	321,473
Total governmental fund revenues	4,370,877	14,834	243,816	4,629,527
<b>Expenditures</b>				
Instruction				
Basic programs	1,321,672	-	-	1,321,672
Added needs	584,141	-	-	584,141
Support services				
Pupil support services	238,308	-	-	238,308
Instructional staff support services	69,919	-	-	69,919
General administration	304,030	-	-	304,030
School administration	322,555	-	-	322,555
Business support services	169,154	2,024	-	171,178
Operations and maintenance	296,262	-	-	296,262
Pupil transportation services	733	-	-	733
Central support services	177,309	-	-	177,309
Food services	-	-	268,498	268,498
Community services	14,953	-	-	14,953
Site improvement services	9,995	-	-	9,995
Capital outlay	40,077	-	-	40,077
Debt principal and interest	420,054	212,063	-	632,117
Total governmental fund expenditures	3,969,162	214,087	268,498	4,451,747
Excess (deficiency) of revenues over expenditures	401,715	(199,253)	(24,682)	177,780
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	196,250	-	196,250
Operating transfers out	(196,250)	-	-	(196,250)
Total other financing sources (uses)	(196,250)	196,250	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	205,465	(3,003)	(24,682)	177,780
Fund balance - July 1, 2024	1,614,259	318,495	86,178	2,018,932
Fund balance - June 30, 2025	\$ 1,819,724	\$ 315,492	\$ 61,496	\$ 2,196,712

See accompanying notes to financial statements

## COLE ACADEMY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>177,780</b>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	40,077	
Depreciation and amortization expense		<u>(282,579)</u>	(242,502)

The governmental funds report loan proceeds and lease issued as an other financing source, while repayment of long term debt is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal and lease	\$	313,772	
Amortization of bond discount		(3,481)	
Interest expense		<u>1,269</u>	<u>311,560</u>

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>246,838</u></b>
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## **COLE ACADEMY**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Cole Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

##### **Reporting Entity**

Cole Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended.

The Academy entered into a contract, expiring June 30, 2032, with Central Michigan University’s Board of Trustees to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays Central Michigan University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2025 were approximately \$91,228.

In July 2022 the Academy entered into a contract with CS Partners, Inc (CS Partners). The contract shall be automatically renewed each year unless either party gives the other written notice of intent to terminate. Under the terms of this agreement, CS Partners provides a variety of human resource management services. The Academy is charged an admin fee of 4.5 percent of gross wages to worksite employees. The total paid for these services amounted to approximately \$107,016 for the year ended June 30, 2025.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

##### **Fund Financial Statements**

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

##### **Basis of Presentation – Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in a report, into generic fund types in two broad fund categories.

## COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2025

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities, are accounted for through a governmental fund.

**General Fund** - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Special Revenue Fund (Food Service)** - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

**Debt Service Fund** - the debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

#### Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

## **COLE ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2025

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The government-wide Statement of Activities presents a comparison between expenses and program revenues of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

#### **Cash and Cash Equivalents**

The Academy's cash are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures.

Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Government obligations. The funds are held in trust for debt service. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

#### **Receivables**

Due from other governmental units at June 30, 2025 consists primarily of state school aid due from the State of Michigan and the federal government. All receivables were fully collected in July and August of 2025 and are considered measurable and available for the purposes of these financial statements.

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, or construction in progress, when applicable, are depreciated/amortized. Improvements are depreciated/amortized over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Depreciation and amortization are computed using the straight-line method over the following useful lives:

Building	20 – 50 years
Improvements	5 – 20 years
Office Equipment	3 – 20 years
Right to use – leased asset	20 – 50 years

Accrued Expenses and Long-Term Obligations

All payables, accrued expenses and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments. Net position is displayed in the following three components:

## COLE ACADEMY

### NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2025

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* - This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* - This component of net position consists of net position that does not meet the definition of *Net investment in capital assets* or *Restricted*.

#### Fund Balance

The Academy adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts that can only be used for specific purposes pursuant to specific purposes imposed by formal action of the Academy's highest level of decision-making authority, the Board. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that include the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.



## **COLE ACADEMY**

### **NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2025**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed or assigned fund balances are available. There are no governmental funds with a deficit.

##### **Leases**

The Academy is a lessee for a noncancelable lease of office equipment. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases included how the Academy determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA payments.

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

##### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## COLE ACADEMY

### NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2025

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### Implemented and Upcoming Accounting Pronouncements

The Academy implemented the following GASB pronouncements during the school year: GASB Statement No. 101, Compensated Absences and GASB Statement No. 102, Certain Risk Disclosures. These pronouncements did not impact the financial statements during the current school year.

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
  - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
    - 1) Overview of the Financial Statements,
    - 2) Financial Summary,
    - 3) Detailed Analyses,
    - 4) Significant Capital Asset and Long-Term Financing Activity,
    - 5) Currently Known Facts, Decisions, or Conditions;
  - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
  - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
  - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
  - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In September 2024, the GASB issued Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2025 the budget was amended in a legally permissible manner. Comparison of board approved appropriations to actual expenditures is detailed on page 20 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Type	Carrying Value
Deposits:	
Demand deposits	\$ 1,304,593
Investments:	
Mutual funds	315,301
Total deposits and investments	\$ 1,619,894

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

The above amounts are reported in the financial statements as follows:

Deposits:	
Cash - General fund	\$ 1,304,593
Investments:	
Investments - Debt service fund	315,301
Total deposits and investments	<u>\$ 1,619,894</u>

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in mutual funds that invest in U.S. Government obligations representing 100% of the Academy's total investments.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2025, \$840,954 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2025.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

## COLE ACADEMY

### NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2025

#### NOTE 3 - DEPOSITS AND INVESTMENTS – Continued

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business and recorded in the name of the Academy.

##### Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

##### Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy's investments are in mutual funds that invest in U.S. Government obligations that are subject to fair value measurement and are considered Level 1.

#### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 657,000
Federal sources	<u>134,994</u>
Total	<u>\$ 791,994</u>

## COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2025

### NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities was as follows:

	<b>Balance July 1, 2024</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2025</b>
Capital assets not subject to depreciation				
Land	\$ 750,000	\$ -	\$ -	\$ 750,000
Capital assets subject to depreciation / amortization				
Right to use - assets	32,237	-	1,061	31,176
Building	7,058,204	32,074	-	7,090,278
Equipment	745,576	8,003	-	753,579
Improvements	523,602	-	-	523,602
Total asset cost basis	9,109,619	40,077	1,061	9,148,635
Accumulated depreciation / amortization				
Right to use - assets	8,509	6,564	1,061	14,012
Building	1,755,883	176,228	-	1,932,111
Equipment	435,148	71,106	-	506,254
Improvements	210,642	28,681	-	239,323
Sub-total	2,410,182	282,579	1,061	2,691,700
Total net capital assets	<u>\$ 6,699,437</u>	<u>\$ (242,502)</u>	<u>\$ -</u>	<u>\$ 6,456,935</u>

Depreciation and amortization expense is reported as unallocated in the Statement of Activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

### NOTE 6 – OTHER ACCRUED LIABILITIES

Other accrued liabilities can be summarized as follows:

	<b>Net Position</b>	<b>Funds</b>
Purchased services - salaries & benefits	\$ 137,563	\$ 137,563
Interest	19,139	-
Total other accrued liabilities	<u>\$ 156,702</u>	<u>\$ 137,563</u>

## COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2025

### NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2025:

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
2013 Revenue refunding bonds	4.75% - 5.625%	Apr-31	Due in annual installments of \$130,000 to \$370,000.
Construction note payable 1	5.75%	Mar-25	Construction of new campus. Monthly principal and interest payments of \$25,736 are required until maturity in which all of the remaining principal is due.
Construction note payable 2	6.375% - 7.37%	Jan-29	Construction of new campus. Monthly principal and interest payments of \$8,333 7/1/23 - 12/1/23, \$8,710.21 from 1/1/24 - 6/1/2024 are required until maturity in which all of the remaining principal is due. At maturity the Academy has the right to extend the term of the note an additional 5 years at to the greater of US treasury +3% or 6%
Direct borrowing - copier east	3%	Apr-28	Monthly payments of \$559

#### Loan Activity

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>
2013 Revenue refunding bonds	\$ 1,330,000	\$ -	\$ 140,000	\$ 1,190,000	\$ 145,000
Construction note payable 1	3,231,635	-	113,895	3,117,740	3,117,740
Construction note payable 2	712,547	-	53,801	658,746	57,903
Direct borrowing - copier east	23,755	-	6,078	17,677	6,261
Less unamortized discount				(20,886)	
Total	<u>\$ 5,297,937</u>	<u>\$ -</u>	<u>\$ 313,774</u>	<u>\$ 4,963,277</u>	<u>\$ 3,326,904</u>

## COLE ACADEMY

### NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED JUNE 30, 2025

#### NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE – Continued

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2026	\$ 3,326,904	\$ 112,126
2027	216,805	100,271
2028	233,554	87,578
2029	637,976	60,293
2030	181,519	31,218
2031	366,519	20,812
	<u>\$ 4,963,277</u>	<u>\$ 412,298</u>

The debt covenant with respect to the 2013 Revenue Refunding Bonds requires the Academy to maintain general fund equity of not less than \$50,000 on any June 30<sup>th</sup>. As of June 30, 2025, the Academy was in compliance with the financial covenant in the financing agreement with respect to the Revenue Refunding Bonds. The Academy's unassigned fund balance in the general fund as of June 30, 2025 was \$1,802,778.

#### NOTE 8 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the last three years.



## REQUIRED SUPPLEMENTARY INFORMATION

# COLE ACADEMY

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Local sources	\$ 81,000	\$ 107,111	\$ 101,443	\$ (5,668)
State sources	3,623,305	3,755,174	3,805,372	50,198
Federal sources	108,079	176,474	142,589	(33,885)
Interdistrict sources	<u>254,000</u>	<u>253,000</u>	<u>321,473</u>	<u>68,473</u>
Total general fund revenues	4,066,384	4,291,759	4,370,877	79,118
<b>Expenditures</b>				
Instruction				
Basic programs	1,504,509	1,549,037	1,321,672	(227,365)
Added needs	511,938	572,822	584,141	11,319
Support services				
Pupil support services	246,500	246,500	238,308	(8,192)
Instructional staff support services	45,290	69,604	69,919	315
General administration	320,667	324,667	304,030	(20,637)
School administration	342,585	348,997	322,555	(26,442)
Business support services	120,050	120,050	169,154	49,104
Operations and maintenance	299,122	304,637	296,262	(8,375)
Pupil transportation services	1,465	1,000	733	(267)
Central support services	180,710	195,010	177,309	(17,701)
Community services	20,348	20,348	14,953	(5,395)
Site improvement services	65,000	65,000	9,995	(55,005)
Capital outlay	-	-	40,077	40,077
Debt principal and interest	<u>643,350</u>	<u>425,000</u>	<u>420,054</u>	<u>(4,946)</u>
Total general fund expenditures	<u>4,301,534</u>	<u>4,242,672</u>	<u>3,969,162</u>	<u>(273,510)</u>
Excess (deficiency) of revenues over expenditures	(235,150)	49,087	401,715	352,628
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	<u>-</u>	<u>(218,000)</u>	<u>(196,250)</u>	<u>21,750</u>
Excess (deficiency) of revenues and and other financing sources over expenditures and other uses	(235,150)	(168,913)	205,465	374,378
Fund balance - July 1, 2024	<u>1,614,259</u>	<u>1,614,259</u>	<u>1,614,259</u>	<u>-</u>
Fund balance - June 30, 2025	<u><u>\$ 1,379,109</u></u>	<u><u>\$ 1,445,346</u></u>	<u><u>\$ 1,819,724</u></u>	<u><u>\$ 374,378</u></u>



CBIZ CPAs P.C.

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P: 248.659.5300

November 1, 2025

## **CONFIDENTIAL**

The Board of Directors and Management  
Cole Academy  
1915 West Mt. Hope  
Lansing, MI 48910

To the Board of Directors and Management of  
**Cole Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cole Academy (the "Academy") for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 3, 2025 and October 30, 2025. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Cole Academy are described in Note 1 to the financial statements. Except for the implementation of GASB 101 and 102, no new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2025. We noted no transactions entered into by Cole Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the Academy's financial statements.

The financial statement disclosures are neutral, consistent, and clear.

### *Independence*

During the year ended June 30, 2025, we were engaged to provide bookkeeping services mainly related to any accounting records or financial statements, including financial statement preparation and footnote edits and modified accrual to full accrual conversion. We reviewed the nature of the requested work, our role and management's role and determined that our independence would not be impaired, in fact or appearance.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 1, 2025.

### *Significant Unusual Transactions*

For purposes of this letter, professional standards define *significant unusual transactions* as transactions that are outside the normal course of business for the Company or that otherwise appear to be unusual due to their timing, size or nature. We did not identify any significant unusual transactions during our audit.

### *Related Party Relationships and Transactions*

As part of our audit, we evaluated the Academy's identification of, accounting for, and disclosures of the Academy's relationships and transactions with related parties as required by professional standards. We did not identify any related parties or related party relationships or transactions that were previously undisclosed to us; significant related party transactions that have not been approved in accordance with the Academy's policies or procedures or for which exceptions to the Academy's policies or procedures were granted; or significant related party transactions that appeared to lack a business purpose.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Cole Academy’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Cole Academy’s auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management’s discussion and analysis, budgetary comparison schedules, which are required supplementary information (“RSI”) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Cole Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*CBIZ CPAs P.C.*

CBIZ CPAs P.C.  
Rochester, MI