

Audited Financial Statements

Cole Academy

Lansing, Michigan

June 30, 2024

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
of 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 Cole Academy, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Cole 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 Cole Academy, as of June 30, 2024, and the respective changes in financial position 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 Cole 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 Cole 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 Cole 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 Cole 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 as detailed in the Table of Contents 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 October 30, 2024, on our consideration of Cole 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 Cole 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 Cole Academy’s internal control over financial reporting and compliance.

Marcum LLP

MARCUM LLP
Rochester, MI

October 30, 2024



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
of Cole Academy**

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Cole Academy's basic financial statements, and have issued our report thereon dated October 30, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cole 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 Cole Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Cole 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 entity'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 Cole 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MARCUM LLP
Rochester, MI

October 30, 2024

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, 2024. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

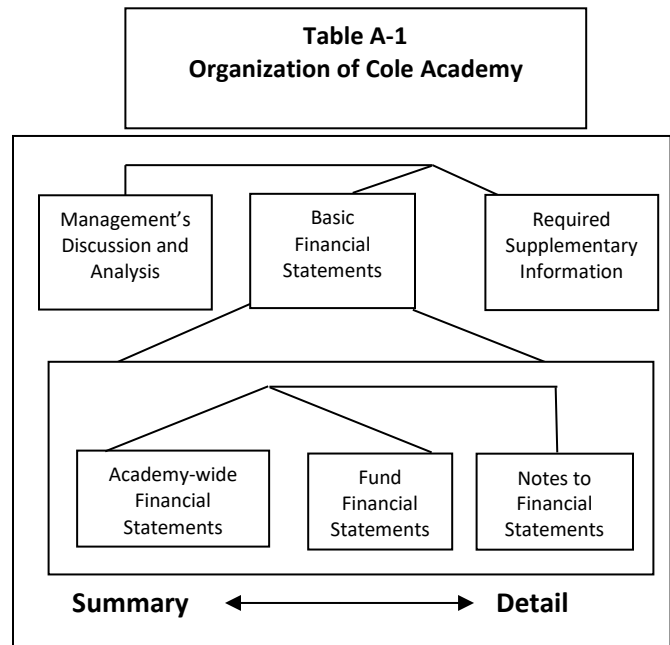
FINANCIAL HIGHLIGHTS

- The Academy had an increase in fund balance in the general fund of \$421,351 compared to a budgeted increase of \$249,805. This gives the Academy a fund balance in the general fund of \$1,614,259.
- The total net position increased by \$563,461.
- Overall revenues were \$5,174,549.
- 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 \$3,424,393 increased by \$563,461 during the year, (see Figures A-3 and A-4).

The total general and program revenues decreased by 9.5% to \$5,174,549. State aid foundation allowance included in revenue from state sources accounts for 66% of the Academy's general and program revenues in 2024.

The total cost of instruction increased by 3.8% to \$2,179,460. Total support service increased 12.6% to \$1,537,496.

**Figure A-3
Cole Academy Net Position**

	2024	2023
Current assets	\$ 2,460,312	\$ 2,063,489
Capital assets	6,699,437	6,902,148
Total assets	<u>9,159,749</u>	<u>8,965,637</u>
Current liabilities	3,893,298	1,542,377
Long-term liabilities outstanding	1,842,058	4,562,328
Total liabilities	<u>5,735,356</u>	<u>6,104,705</u>
Net position:		
Net investment in capital assets	1,425,867	1,313,671
Restricted for debt service	318,494	302,083
Restricted for food service	81,630	65,934
Unrestricted	1,598,402	1,179,244
Total net position	<u>\$ 3,424,393</u>	<u>\$ 2,860,932</u>

**Figure A-4
Changes in Cole Academy Net Position**

	2024	2023
Revenues:		
Program revenues:		
Federal and state categorical grants and contributions	\$ 1,251,873	\$ 885,335
Charges for services	-	93,156
General revenues:		
State aid - unrestricted	3,423,002	3,334,179
Investment earnings	-	-
Other	499,674	412,026
Total general revenues	<u>3,922,676</u>	<u>3,746,205</u>
Total revenues	<u>5,174,549</u>	<u>4,724,696</u>
Expenses:		
Instruction	2,179,460	2,099,248
Support services	1,537,496	1,365,890
Community service	14,328	17,938
Food service	254,375	194,594
Site improvement services	23,301	4,051
Interest and fees	319,792	334,370
Unallocated depreciation/amortization	282,336	277,436
Total expenses	<u>4,611,088</u>	<u>4,293,527</u>
Change in net position	<u>\$ 563,461</u>	<u>\$ 431,169</u>

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 \$2,018,932, which is \$454,631 higher than last year's ending fund balances of \$1,564,571.

The Academy's general fund had more revenues than expenditures by \$421,351. The food service fund had more revenues than expenditures by \$16,598. Overall, the Academy had an increase in total fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget projected a decrease in fund balance of \$90,461 as of June 30, 2024. The Academy did budget amendments mid-year to align revenue and expenditures to revised budget projections. However, the District knew significant financial gains needed to take place to maintain the Academy's positive financial position. The Board of Education was kept apprised of the financial position on a monthly basis and significant improvements were made through and past the last budget revision in June 2024. In such, the Academy's actual general fund revenues were less than budgeted by \$18,867 and the Academy actual expenditures were less than \$185,299 of the final budget amendment. Once again, this year, tight budgetary controls allowed the Academy to be effective in maintaining actual expenditures when compared to budget.

CAPITAL ASSETS

By the end of the year ended June 30, 2024, the Academy had invested \$6,699,437 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 \$202,711 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 \$282,336.

The Academy's capital assets are as follows:

Figure A-5				
Cole Academy Capital Assets				
	2024			2023
	Cost	Accumulated depreciation/ amortization	Net book value	Net book value
Building	\$ 7,058,204	\$ 1,755,883	\$ 5,302,321	\$ 5,437,963
Improvements	523,602	210,642	312,960	341,641
Equipment	745,576	435,148	310,428	342,678
Right to use - assets	32,237	8,509	23,728	29,866
Land	750,000	-	750,000	750,000
Total	\$ 9,109,619	\$ 2,410,182	\$ 6,699,437	\$ 6,902,148

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 increase to \$9,848. This is an increase of \$240 over the 2023-2024 foundation allowance of \$9,608. It is important to note that, at the time of this report, the actual increase is reported to be \$375, or an increase of 3.9% from 2023-2024 foundation allowance.
- The Academy closely monitors enrollment and budgeted a conservative blended pupil count of 305 students, a decrease from prior fiscal year blended count of 337.22, 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 2024-2025 in which expenditures exceed revenues by \$235,150, 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 2024-2025 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 2024-2025 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, 2024

ASSETS

Current Assets

Cash	\$	1,292,021
Investments - restricted for debt service		318,495
Due from other governmental units		824,109
Prepaid expenses		21,138
Inventory		4,549
		<hr/>
Total current assets		2,460,312

Capital Assets - Net of Accumulated Depreciation / Amortization

6,699,437

Total assets \$ 9,159,749

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$	52,880
Unearned revenue		138,997
Other accrued liabilities		269,909
Long-term debt - current portion		3,431,512
		<hr/>
Total current liabilities		3,893,298

Long-Term Debt - Long-Term Portion

1,842,058

Net Position

Net investment in capital assets		1,425,867
Restricted		400,124
Unrestricted		1,598,402
		<hr/>
Total net position		3,424,393
		<hr/>
Total liabilities and net position	\$	<u><u>9,159,749</u></u>

See accompanying notes to financial statements

COLE ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Government Type Activities</u>
Functions				
Instruction				
Basic programs	\$ 1,592,287	\$ -	\$ 490,106	\$ (1,102,181)
Added needs	587,173	-	431,334	(155,839)
Support services				
Pupil support services	238,308	-	-	(238,308)
Instructional staff support services	43,724	-	-	(43,724)
General administration	312,988	-	-	(312,988)
School administration	331,610	-	-	(331,610)
Business support services	133,978	-	-	(133,978)
Operations and maintenance	301,833	-	55,043	(246,790)
Pupil transportation services	1,955	-	160	(1,795)
Central support services	173,100	-	-	(173,100)
Food services	254,375	-	275,230	20,855
Community services	14,328	-	-	(14,328)
Site improvement services	23,301	-	-	(23,301)
Unallocated depreciation / amortization	282,336	-	-	(282,336)
Unallocated interest	319,792	-	-	(319,792)
	<u>\$ 4,611,088</u>	<u>\$ -</u>	<u>\$ 1,251,873</u>	<u>(3,359,215)</u>
General Purpose Revenues				
State school aid - unrestricted				3,423,002
Miscellaneous revenues				499,674
				<u>3,922,676</u>
Change in net position				563,461
Net position - July 1, 2023				<u>2,860,932</u>
Net position - June 30, 2024				<u>\$ 3,424,393</u>

See accompanying notes to financial statements

COLE ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2024

ASSETS

	<u>General</u>	<u>Debt Service</u>	<u>Non-Major Special Revenue - Food Service</u>	<u>Total</u>
Cash	\$ 1,292,021	\$ -	\$ -	\$ 1,292,021
Investments	-	318,495	-	318,495
Due from other governmental units	823,009	-	1,100	824,109
Due from other funds	-	-	81,490	81,490
Prepaid expenses	21,138	-	-	21,138
Inventory	-	-	4,549	4,549
Total assets	<u>\$ 2,136,168</u>	<u>\$ 318,495</u>	<u>\$ 87,139</u>	<u>\$ 2,541,802</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 52,367	\$ -	\$ 513	\$ 52,880
Due to other funds	81,490	-	-	81,490
Unearned revenue	138,549	-	448	138,997
Other accrued liabilities	249,503	-	-	249,503
Total liabilities	521,909	-	961	522,870

Fund Balance

Nonspendable	21,138	-	4,549	25,687
Restricted	-	318,495	81,629	400,124
Assigned	235,150	-	-	235,150
Unassigned	1,357,971	-	-	1,357,971
Total fund balance	<u>1,614,259</u>	<u>318,495</u>	<u>86,178</u>	<u>2,018,932</u>
Total liabilities and fund balance	<u>\$ 2,136,168</u>	<u>\$ 318,495</u>	<u>\$ 87,139</u>	<u>\$ 2,541,802</u>

See accompanying notes to financial statements

COLE ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2024

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

Total Governmental Fund Balances	\$ 2,018,932
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$9,109,618 and the accumulated depreciation / amortization is \$2,410,182.	6,699,437
Interest is not payable until due in governmental activities and, therefore is not recorded in the funds.	(20,406)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,273,570)</u>
Net Position of Governmental Activities	<u><u>\$ 3,424,393</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, 2024

	General	Debt Service	Non-Major Special Revenue - Food Service	Total
Revenues				
Local sources	\$ 162,742	\$ 15,952	\$ 4,861	\$ 183,555
State sources	3,907,500	-	40,250	3,947,750
Federal sources	492,145	-	230,119	722,264
Interdistrict sources	320,980	-	-	320,980
Total governmental fund revenues	4,883,367	15,952	275,230	5,174,549
Expenditures				
Instruction				
Basic programs	1,592,287	-	-	1,592,287
Added needs	587,173	-	-	587,173
Support services				
Pupil support services	238,308	-	-	238,308
Instructional staff support services	43,724	-	-	43,724
General administration	312,988	-	-	312,988
School administration	331,610	-	-	331,610
Business support services	132,128	1,850	-	133,978
Operations and maintenance	301,833	-	-	301,833
Pupil transportation services	1,955	-	-	1,955
Central support services	173,100	-	-	173,100
Food services	-	-	254,375	254,375
Community services	14,328	-	-	14,328
Site improvement services	23,301	-	-	23,301
Capital outlay	79,625	-	-	79,625
Debt principal and interest	417,790	213,813	-	631,603
Total governmental fund expenditures	4,250,150	215,663	254,375	4,720,188
Excess (deficiency) of revenues over expenditures	633,217	(199,711)	20,855	454,361
Other Financing Sources (Uses)				
Operating transfers in	4,257	216,123	-	220,380
Operating transfers out	(216,123)	-	(4,257)	(220,380)
Total other financing sources (uses)	(211,866)	216,123	(4,257)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	421,351	16,412	16,598	454,361
Fund balance - July 1, 2023	1,192,908	302,083	69,580	1,564,571
Fund balance - June 30, 2024	\$ 1,614,259	\$ 318,495	\$ 86,178	\$ 2,018,932

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, 2024

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

Net Change in Fund Balances - Total Governmental Funds	\$	454,361
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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	\$	79,625	
Depreciation and amortization expense		<u>(282,336)</u>	(202,711)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal 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	\$	318,389	
Amortization of bond discount		(3,481)	
Interest expense		<u>(3,097)</u>	<u>311,811</u>

Change in Net Position of Governmental Activities	\$	<u><u>563,461</u></u>
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COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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, 2024 were approximately \$98,753.

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 \$95,254 for the year ended June 30, 2024.

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 this report, into generic fund types in two broad fund categories.

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

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 brief 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, 2024

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

Accounts receivable and due from other governmental units at June 30, 2024 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2024 and are considered current for the purposes of these financial statements.

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2024, 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, 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	

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 displayed in the following three components: Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. 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.

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

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 significant 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 Equity

The Academy has 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 constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- 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 are available for any purpose; these amounts are reported only in the general fund.

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

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 judgements 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, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal 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;

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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.

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, 2024 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.

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 3 - DEPOSITS AND INVESTMENTS

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,292,021
Investments:			
U.S. Government obligations	AAAm	Various	<u>318,495</u>
Total deposits and investments			<u>\$ 1,610,516</u>

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

Deposits:			
Cash - General fund			\$ 1,292,021
Investments:			
Investments - Debt service fund			<u>318,495</u>
Total deposits and investments			<u>\$ 1,610,516</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.

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.

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.

Foreign Currency Risk

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

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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 U.S. Government obligations that are subject to the 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	\$ 694,708
Federal sources	<u>129,401</u>
Total	<u><u>\$ 824,109</u></u>

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital assets not subject to depreciation				
Land	\$ 750,000	\$ -	\$ -	\$ 750,000
Capital assets subject to depreciation / amortization				
Right to use - assets	32,237	-	-	32,237
Building	7,024,578	33,626	-	7,058,204
Equipment	699,577	45,999	-	745,576
Improvements	523,602	-	-	523,602
Total asset cost basis	9,029,994	79,625	-	9,109,619
Accumulated depreciation / amortization				
Right to use - assets	2,371	6,138	-	8,509
Building	1,586,615	169,268	-	1,755,883
Equipment	356,899	78,249	-	435,148
Improvements	181,961	28,681	-	210,642
Sub-total	2,127,846	282,336	-	2,410,182
Total net capital assets	<u>\$ 6,902,148</u>	<u>\$ (202,711)</u>	<u>\$ -</u>	<u>\$ 6,699,437</u>

Depreciation and amortization expense was not charged to 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:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - salaries & benefits	\$ 249,503	\$ 249,503
Interest	20,406	-
Total other accrued liabilities	<u>\$ 269,909</u>	<u>\$ 249,503</u>

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2024:

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
Direct borrowing - copier lansing	3%	Sep-23	Monthly payments of \$72

Loan Activity

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
2013 Revenue refunding bonds	\$ 1,465,000	\$ -	\$ 135,000	\$ 1,330,000	\$ 140,000
Construction note payable 1	3,357,470	-	125,835	3,231,635	3,231,635
Construction note payable 2	763,990	-	51,443	712,547	53,801
Direct borrowing - copier east	29,651	-	5,896	23,755	6,076
Direct borrowing - copier lansing	215	-	215	-	-
Less unamortized discount				(24,367)	
	<u>\$ 5,616,326</u>	<u>\$ -</u>	<u>\$ 318,389</u>	<u>\$ 5,273,570</u>	<u>\$ 3,431,512</u>

COLE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

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>
2025	\$ 3,431,512	\$ 211,121
2026	202,203	108,645
2027	220,288	96,790
2028	233,554	84,097
2029	637,975	56,812
2030-2031	<u>548,038</u>	<u>45,068</u>
	<u>\$ 5,273,570</u>	<u>\$ 602,533</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 30th. As of June 30, 2024, 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, 2024 was \$1,357,971.

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.

SUPPLEMENTARY INFORMATION

COLE ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 87,680	\$ 142,466	\$ 162,742	\$ 20,276
State sources	3,751,824	3,901,456	3,907,500	6,044
Federal sources	454,617	524,713	492,145	(32,568)
Interdistrict sources	318,000	333,599	320,980	(12,619)
Total general fund revenues	4,612,121	4,902,234	4,883,367	(18,867)
Expenditures				
Instruction				
Basic programs	1,608,360	1,611,111	1,592,287	(18,824)
Added needs	651,577	649,518	587,173	(62,345)
Support services				
Pupil support services	261,000	248,302	238,308	(9,994)
Instructional staff support services	102,557	87,768	43,724	(44,044)
General administration	320,985	323,747	312,988	(10,759)
School administration	344,698	350,837	331,610	(19,227)
Business support services	94,250	126,600	132,128	5,528
Operations and maintenance	263,434	344,464	301,833	(42,631)
Pupil transportation services	2,965	2,465	1,955	(510)
Central support services	179,306	226,217	173,100	(53,117)
Community services	315,000	17,750	14,328	(3,422)
Site improvement services	100,000	7,320	23,301	15,981
Capital outlay	-	-	79,625	79,625
Debt principal and interest	458,450	439,350	417,790	(21,560)
Total general fund expenditures	4,702,582	4,435,449	4,250,150	(185,299)
Excess (deficiency) of revenues over expenditures	(90,461)	466,785	633,217	166,432
Other Financing Sources (Uses)				
Operating transfers in	-	-	4,257	4,257
Operating transfers out	(215,662)	(216,980)	(216,123)	857
Total other financing sources (uses)	(215,662)	(216,980)	(211,866)	5,114
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(306,123)	249,805	421,351	171,546
Fund balance - July 1, 2023	1,192,908	1,192,908	1,192,908	-
Fund balance - June 30, 2024	\$ 886,785	\$ 1,442,713	\$ 1,614,259	\$ 171,546