

Audited Financial Statements

East Shore Leadership Academy

Port Huron, Michigan

June 30, 2025

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CBIZ CPAs P.C.

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Independent Auditors' Report

Board of Directors and Management
East Shore Leadership 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 East Shore Leadership 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying supplementary information, as identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 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 5, 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
East Shore Leadership 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 East Shore Leadership 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 5, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2025-001.

East Shore Leadership Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 5, 2025



East Shore Leadership Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

This Management's Discussion and Analysis (MD&A) provides an overview of East Shore Leadership Academy's financial performance and activities for the fiscal year ended June 30, 2025. The intent of this section is to present, in clear and accessible terms, an analytical summary of the Academy's financial position, operations, and overall fiscal health. Readers are encouraged to review this narrative in conjunction with the accompanying financial statements and related notes to enhance their understanding of the Academy's financial condition.

This information is presented in accordance with the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, which mandates the inclusion of two primary types of financial statements: (1) School-wide Financial Statements and (2) Fund Financial Statements.

Overview of the Financial Statements

The annual financial report for East Shore Leadership Academy consists of four main components:

1. The Independent Auditors' Report
2. Management's Discussion and Analysis (this section)
3. The Basic Financial Statements
4. Required Supplementary Information

The financial statements are accompanied by notes that explain specific line items and provide more detailed information. Following the basic statements is a section of required supplementary information, which includes a comparison of the Academy's original and final budgets with actual results for the year. This comparison offers additional insight into financial performance and budgetary stewardship.

School-wide Financial Statements

The school-wide financial statements provide a broad view of the Academy's finances, reporting information about the Academy as a single, integrated entity. These statements are prepared using the *full accrual basis of accounting*, which recognizes all assets, deferred inflows and outflows, and liabilities—both short-term and long-term—regardless of when cash transactions occur.

There are two school-wide statements:

The Statement of Net Position, which reports the Academy's assets, liabilities, and deferred inflows/outflows, including capital assets and long-term obligations.

The Statement of Activities, which summarizes the year's revenues and expenses, presenting how the Academy's net position changed over the fiscal year.

Together, these statements offer insight into the Academy's overall financial health and whether it is improving or deteriorating over time.



East Shore Leadership Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

- An increase in net position typically indicates financial improvement and the accumulation of resources for future needs.
- A decrease may suggest resource constraints or growing obligations.

When evaluating the Academy's overall condition, it is important to consider both financial indicators and non-financial factors—such as student achievement, enrollment trends, and facility condition—to obtain a complete picture of the Academy's operational health.

All of the Academy's activities are reported under governmental activities, encompassing core services such as instruction, special education, administration, and operations. These activities are primarily financed through state foundation grants and federal program funding.

Fund Financial Statements

The fund financial statements provide a more detailed view of individual areas of the Academy's operations, focusing on how available resources were spent and what remains for future use. Fund-level reporting is prepared using the *modified accrual basis of accounting*, which recognizes revenues when they are both measurable and available, and expenditures when the related liability is incurred and expected to be paid with current resources.

The Academy's accounting structure complies with the Michigan Department of Education's Accounting Manual requirements. East Shore Leadership Academy's primary operating fund is the General Fund, which accounts for the majority of instructional and support services. The principal sources of revenue for the General Fund are the state foundation allowance, state categorical aid, and federal grants.

In addition, the Academy maintains one Special Revenue Fund:

Food Service Fund, which accounts for the operations of the federally funded school lunch program.

Together, these separate funds ensure transparent and compliant financial management in alignment with state and federal requirements. During the year, the Academy reviewed its fund classifications and determined that the special revenue fund – food services, previously reported as a non-major governmental fund, meets the criteria for major fund reporting according to Governmental Accounting Standards Board (GASB) Statement 34 for state and local governments.

ASSETS

Capital Assets

East Shore Leadership Academy had \$1,117,250 in capital assets, including improvements, equipment, furniture, computers and software, and GASB 87 Right to use assets (as discussed in Note 1 – Leases, in these financial statements).



East Shore Leadership Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2025

East Shore Leadership Academy's Capital Assets

	Balance June 30, 2025	Balance June 30, 2024
Improvements	\$ 255,460	\$ 255,460
Equipment	188,175	188,175
Furniture	102,453	102,453
Computer and software	79,298	79,298
Right to use assets	1,067,657	602,555
Subtotal	1,693,043	1,227,941
Accumulated depreciation / amortization	575,793	843,749
Net book value	\$ 1,117,250	\$ 384,192

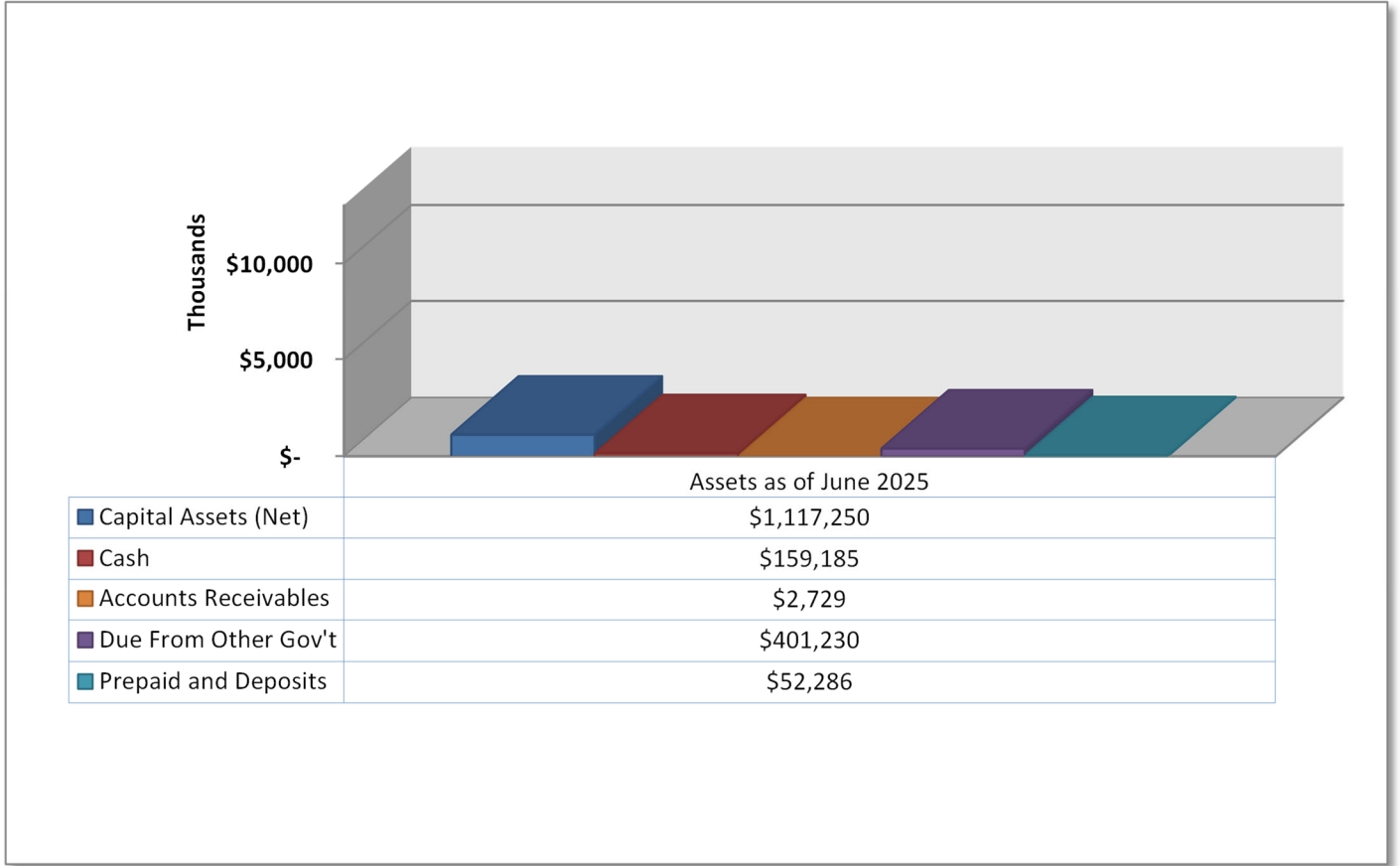
Current Assets

The Academy had current assets totaling \$615,430. Of that amount \$401,230 is recorded as due from other governmental units. Most of this is derived from the State of Michigan as per-pupil aid, which was received by the end of August 2025.

The following chart illustrates the categories and amounts of East Shore Leadership Academy's \$1,732,680 in assets.



East Shore Leadership Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2025



Liabilities

Long-Term Liabilities

East Shore Leadership Academy presently has a long-term debt obligation of \$625,607. The Academy was able to pay down the overall debt by \$248,120 reflecting payments on the building lease.

Current Liabilities

Current liabilities of \$431,509 are made up of a current portion of long-term debt of \$188,574, notes payable of \$25,787, and other accrued expenses consisting of current payables, unearned revenues, other accrued expenses of \$217,148. Total Liabilities are \$1,057,116.

Net Position

The net position of the Academy as of June 30, 2025, was \$675,564 compared to \$699,508 in 2024. This represents Academy's equity position across all funds on the full accrual basis of accounting. This basis of accounting includes all liabilities and assets net of depreciation. Governmental funds are reported to the state using the modified accrual basis of accounting.



East Shore Leadership Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2025

Comparative Analysis of Net Position

The Figure A-1 below is a comparison of financial data between the current fiscal year and the previous fiscal year. Total Assets increased from last year by \$748,896. Long-Term Debt, Non-Current portion, has increased by \$625,607 from the prior year balance and current liabilities increased by \$147,233. Overall the total net position decreased by \$23,944.

Figure A-1
East Shore Leadership Academy's Net Position

	2025	2024
Current and other assets	\$ 615,430	\$ 599,592
Capital assets	1,117,250	384,192
Total assets	1,732,680	983,784
Long-term debt outstanding	625,607	-
Other liabilities	431,509	284,276
Total liabilities	1,057,116	284,276
Net position:		
Net investment in capital assets	303,069	351,608
Restricted	59,375	74,605
Unrestricted	313,120	273,295
Total net position	\$ 675,564	\$ 699,508



East Shore Leadership Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2025

Comments on Major Changes to Net Position

The net position of the Academy is \$675,564 during the 2024-2025 year which is the eleventh year of operation. Figure A-2 on the following page shows a comparative breakdown of this change for the school year 2025 and 2024. While the below is a condensed version of the statement of activities, the statement of activities presented later in the school-wide financial statements provides greater detail on the Academy's annual activity. The cost of the Academy's governmental activities for the year ended June 30, 2025, was \$2,504,454 compared to \$2,761,475 for the year ended June 30, 2024 due to declining enrollment and decrease in federal funds.

Figure A-2
Changes in East Shore Leadership Academy's Net Position

	2025	2024
Revenues:		
Program revenues:		
Federal and state operating grants	\$ 735,944	\$ 853,242
General revenues:		
State aid - unrestricted	1,674,929	1,716,286
Miscellaneous	69,637	90,377
Total revenues	2,480,510	2,659,905
Expenses:		
Instruction	904,768	1,256,900
Support services and community services	1,296,721	1,253,069
Interest on long-term debt	42,275	4,448
Unallocated depreciation / amortization	260,690	247,058
Total expenses	2,504,454	2,761,475
Change in net position	\$ (23,944)	\$ (101,570)

REVENUE & EXPENSES

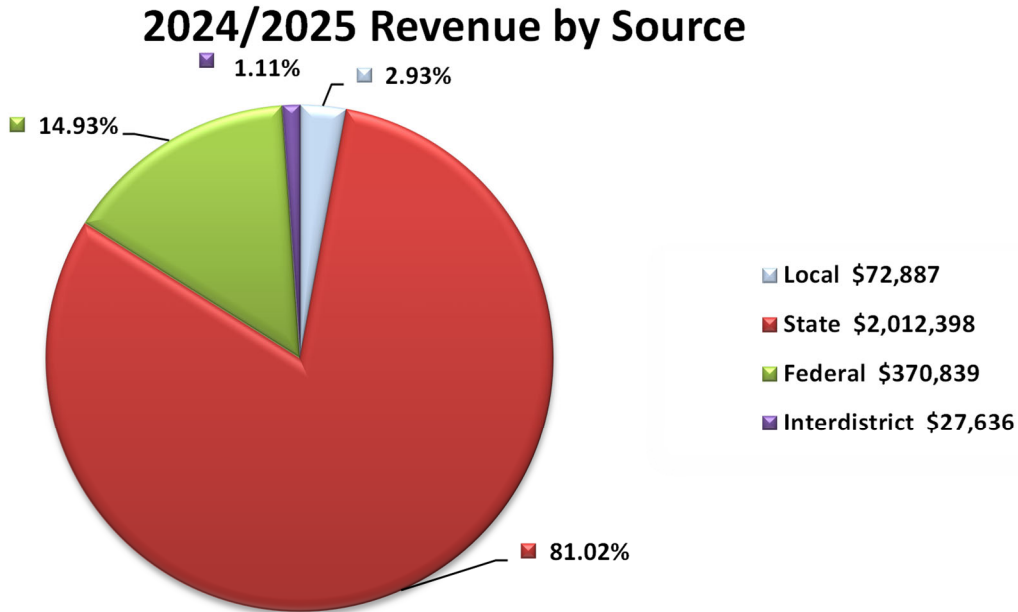
Revenue

General purpose revenues consist of \$1,674,929 unrestricted state school aid, loss of \$3,250 for capital assets and \$72,887 of local revenues. Total restricted revenues of \$735,944 consist of restricted operating grants. Revenues as reported on the statement of revenues, expenditures and fund balance totaled \$2,483,760 and were broke out on Figure A-3 by source.



East Shore Leadership Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

Figure A-3



East Shore Leadership Academy's primary source of revenue is derived from the State of Michigan. Approximately 81% of total annual revenue for this school year was from state aid and state grants. In the 2024/2025 school year, state aid increased over the previous year's payment, which was the case for all public schools. Though the state aid payment increased through a charter school per pupil categorical, the foundation per pupil amount for East Shore Leadership Academy was \$9,608. The per pupil allowance was based on a blended student count formula that weighs the current October student count at 90% and prior fiscal year's February student count at 10% of the calculation.

Expenses

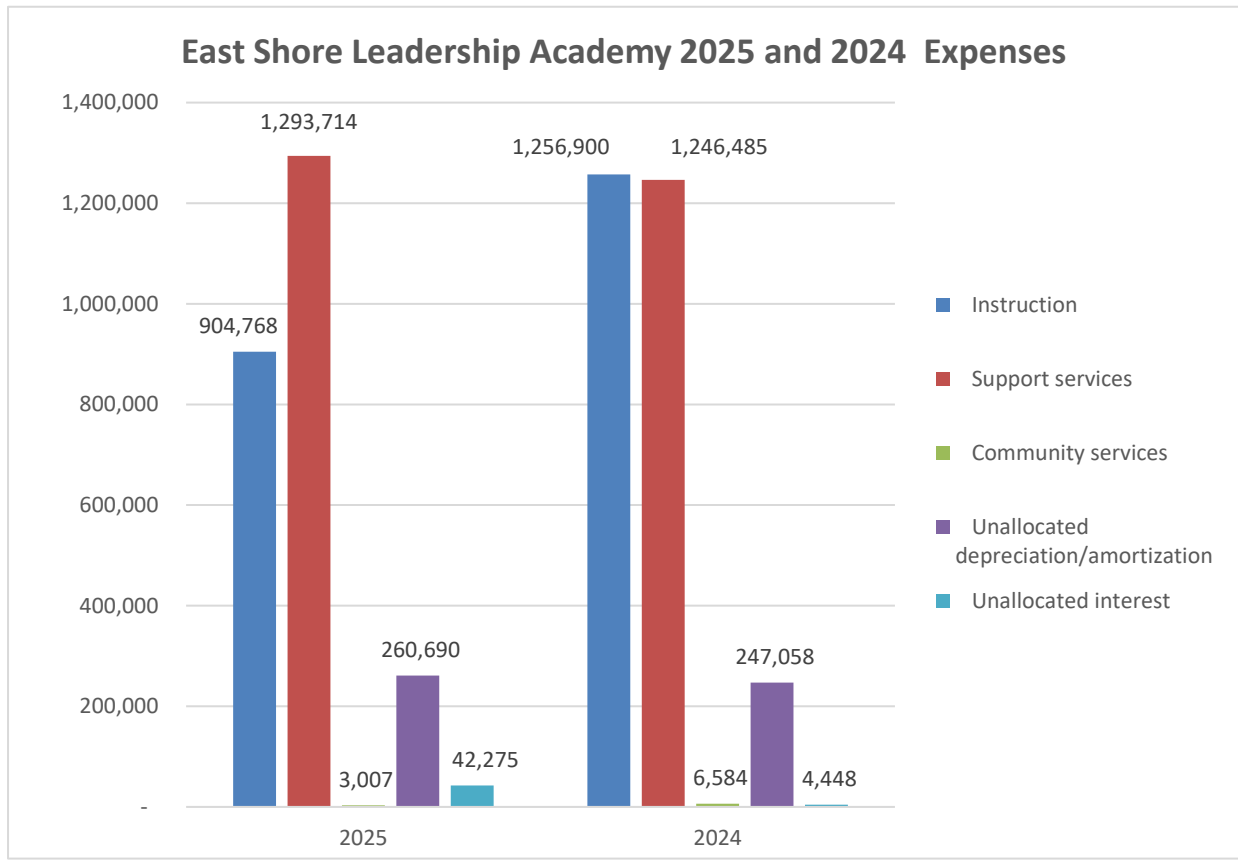
Expenses reported on the statement of activities by function:

Total expenses for the fiscal year ended June 30, 2025, were \$2,504,454 which is a \$257,021 decrease from the prior year. Unallocated depreciation expense in the amount of \$260,690 represents the current year increase in acquired capital assets. Unallocated interest expense in the amount of \$42,275 represents the cost of financing debts. See Figure A-4 for a comparative statement of expenses by function for school year 2025 and 2024 based on the statement of activities.



East Shore Leadership Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2025

Figure A-4

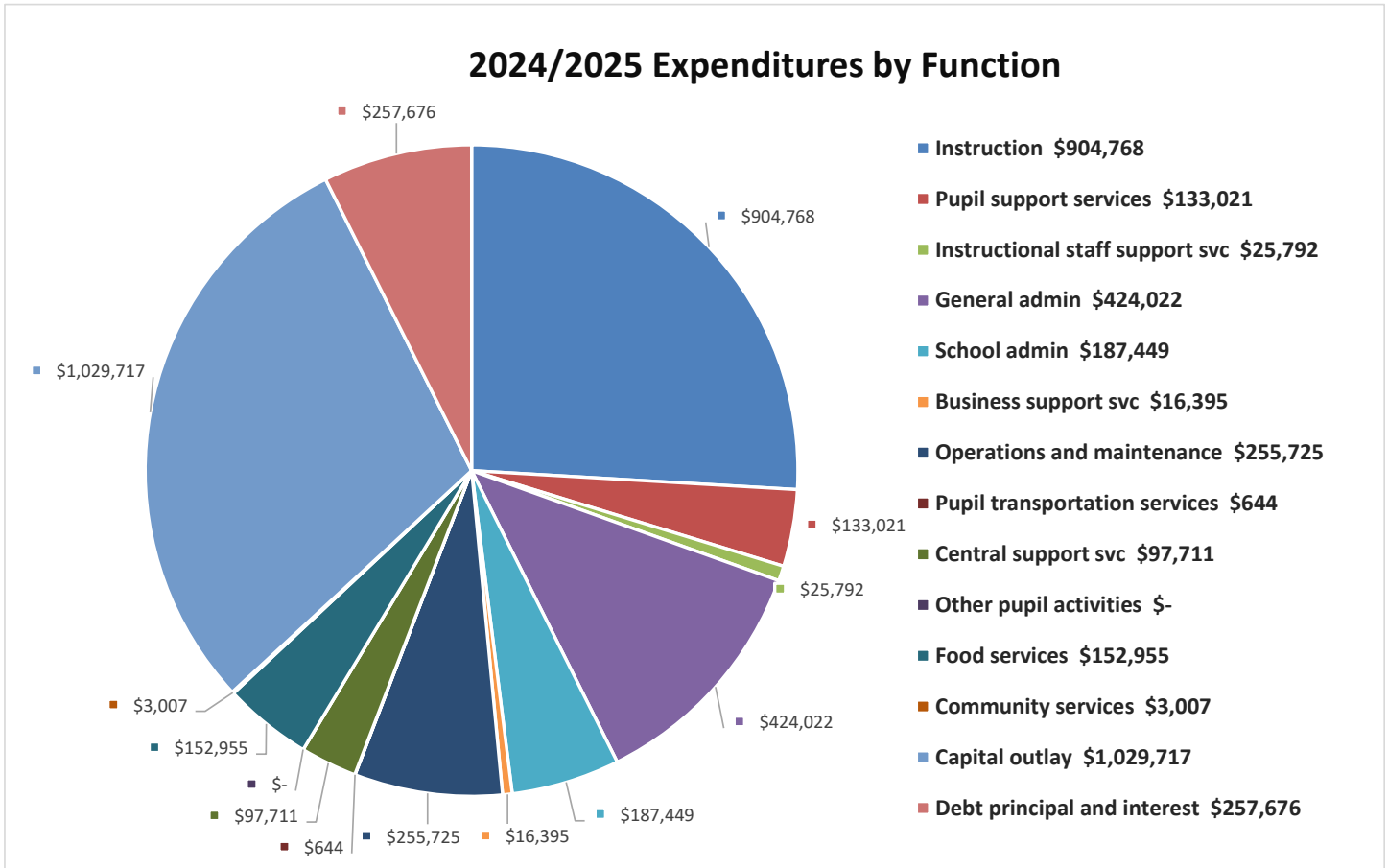


Expenditures are approved and reported on a functional level. Figure A-5 represents those levels and the corresponding expenditures (based upon a modified accrual method) for the fiscal year ending June 30, 2025.



East Shore Leadership Academy
MANAGEMENT’S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2025

Figure A-5



Financial Analysis of the Academy’s Funds

The financial performance of the Academy is reflected in its governmental funds as well. The total governmental fund balance is \$372,495 and \$347,900 during the school year 2025 and 2024 respectively. School year 2025 is the eleventh year of operation. The General Fund balance ended the year at \$313,120 or 84% of total with the Food Service Fund equity totaling \$59,375 or 16%. The primary factors affecting the Academy’s governmental funds’ fund balance are listed below.

Factors Impacting Fund Equity

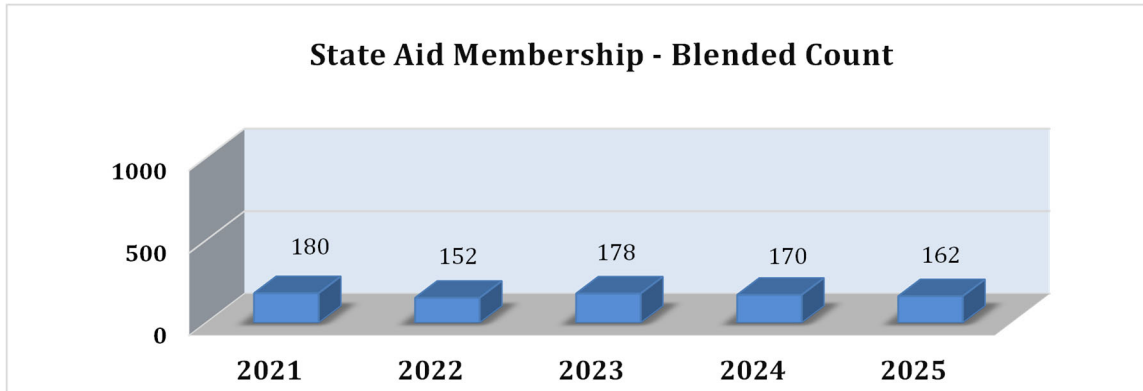
- **Student enrollment** – Proposal A tied state aid funding to student enrollment. The Academy’s student count on which our foundation allowance was based was 161.62 State Aid membership for the 2024-2025 school year.

The blended state aid membership over the past 5 years is shown in figure A-6.



East Shore Leadership Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

Figure A-6



General Fund Budgetary Highlights

The Uniform Budgeting and Accounting Act of the State of Michigan requires that the Board of Directors adopt the original budget for the upcoming fiscal year prior to July 1, which marks the beginning of the fiscal year. In preparing the annual budget, several variables and uncertainties must be considered. Accordingly, management utilizes reasonable estimates for key factors such as student enrollment, state aid allocations, service provider contracts, staffing levels, utilities, and facility maintenance.

As a matter of sound fiscal practice, the Academy reviews its budget periodically throughout the year and adopts formal budget amendments as necessary. These revisions are implemented to reflect material changes in revenues or expenditures resulting from updated information, enrollment fluctuations, or unforeseen operational needs. This ongoing budget monitoring and adjustment process ensures fiscal accountability and compliance with statutory requirements, while supporting the Academy's mission and educational goals.

During fiscal year 2025, actual expenditures in the General Fund exceeded the original budgeted amounts by \$965,000. The over-expenditure was primarily driven by the adoption of GASB Statement No. 87 — Leases, at the commencement of a lease we recognize capital outlay and an other financing source for the expected life of the lease in a governmental fund. The recognition of implementation increased capital outlay expenditures beyond the amounts budgeted. The net effect of overall fund balance is \$0, although required in the initial year for reporting purposes. Management has reviewed the budget process and will include estimates of lease-related expenditure impact in commencement period to avoid similar variances.

Overall, the General Fund equity ended \$39,825 better than the projected budget leaving the Academy with a beginning fund balance of \$313,120 to start the 2026 fiscal year. The Food Service Fund equity ended \$6,240 higher than the projected budget leaving the Academy with a fund balance of \$ 59,375 to begin the 2026 school year. With this fund balance being lower than originally anticipated it has reduced the Academy's excess fund balance to \$662 for the 2026 year, putting the Academy closer to compliance with the food service fund.



East Shore Leadership Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

Currently Known Facts

The following list highlights East Shore Leadership Academy's recent achievements and other facts regarding the academy:

- East Shore Leadership Academy is a tuition-free public K-12 school offering school of choice
- Academy's 11th year of operation
- The Academy was reauthorized by Northern Michigan University July 2024 for a 5-year term
- Academy is establishing a new GSRP program for the 25-26 school year
- Breakfast and Lunch program provided for K-12 students
- East Shore Leadership Academy continues to be a LeaderinMe® school emphasizing character education, individualized learning styles, and research-based instructional strategies

Requests for Information

This financial report is designed to provide the Academy's parents, students, investors and creditors with a general overview of the Academy's finances, and to show how the Academy is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Travis Gostinger, CAO, East Shore Leadership Academy, 1403 7th Street, Port Huron, MI 48060, telephone number (810) 294-8040.

EAST SHORE LEADERSHIP ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2025

ASSETS

Current Assets

Cash and cash equivalents	\$	159,185
Accounts receivable		2,729
Due from other governmental units		401,230
Prepaid expenses		<u>52,286</u>
Total current assets		615,430

Capital Assets - Net of Accumulated Depreciation / Amortization

1,117,250

Total assets \$ 1,732,680

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$	3,574
Notes payable		25,787
Unearned revenue		7,185
Other accrued liabilities		206,389
Long-term debt - current portion		<u>188,574</u>
Total current liabilities		431,509

Long-Term Debt - Long-Term Portion

625,607

Net Position

Net investment in capital assets		303,069
Restricted for food service		59,375
Unrestricted		<u>313,120</u>
Total net position		<u>675,564</u>
Total liabilities and net position	\$	<u>1,732,680</u>

See accompanying notes to financial statements

EAST SHORE LEADERSHIP ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 573,732	\$ -	\$ 127,946	\$ (445,786)
Added needs	331,036	-	303,698	(27,338)
Support services				
Pupil support services	133,021	-	113,217	(19,804)
Instructional staff support services	25,792	-	25,792	-
General administration	424,022	-	1,097	(422,925)
School administration	187,449	-	-	(187,449)
Business support services	16,395	-	-	(16,395)
Operations and maintenance	255,725	-	-	(255,725)
Pupil transportation services	644	-	-	(644)
Central support services	97,711	-	-	(97,711)
Food services	152,955	-	160,908	7,953
Community services	3,007	-	3,286	279
Unallocated depreciation / amortization	260,690	-	-	(260,690)
Unallocated interest	42,275	-	-	(42,275)
Total primary government	\$ 2,504,454	\$ -	\$ 735,944	(1,768,510)
General Purpose Revenues				
State school aid - unrestricted				1,674,929
Gain (loss) on disposal of capital assets				(3,250)
Miscellaneous revenues				72,887
Total general purpose revenues				1,744,566
Change in net position				(23,944)
Net position - July 1, 2024				699,508
Net position - June 30, 2025				\$ 675,564

See accompanying notes to financial statements

EAST SHORE LEADERSHIP ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2025

ASSETS

	<u>General</u>	<u>Non-Major Special Revenue - Food Service</u>	<u>Total</u>
Cash and cash equivalents	\$ 159,185	\$ -	\$ 159,185
Accounts receivable	2,729	-	2,729
Due from other governmental units	400,741	489	401,230
Due from other funds	-	59,136	59,136
Prepaid expenses	52,286	-	52,286
Total assets	<u>\$ 614,941</u>	<u>\$ 59,625</u>	<u>\$ 674,566</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 3,324	\$ 250	\$ 3,574
Notes payable	25,787	-	25,787
Due to other funds	59,136	-	59,136
Unearned revenue	7,185	-	7,185
Other accrued liabilities	206,389	-	206,389
Total liabilities	301,821	250	302,071

Fund Balance

Nonspendable	52,286	-	52,286
Restricted	-	59,375	59,375
Unassigned	260,834	-	260,834
Total fund balance	<u>313,120</u>	<u>59,375</u>	<u>372,495</u>
Total liabilities and fund balance	<u>\$ 614,941</u>	<u>\$ 59,625</u>	<u>\$ 674,566</u>

See accompanying notes to financial statements

EAST SHORE LEADERSHIP 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:

Total Governmental Fund Balances	\$ 372,495
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$1,693,043 and the accumulated depreciation / amortization is \$575,793.	1,117,250
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(814,181)</u>
Net Position of Governmental Activities	<u><u>\$ 675,564</u></u>

See accompanying notes to financial statements

EAST SHORE LEADERSHIP ACADEMY

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

	General	Non-Major Special Revenue - Food Service	Total
Revenues			
Local sources	\$ 72,887	\$ -	\$ 72,887
State sources	2,008,629	3,769	2,012,398
Federal sources	213,700	157,139	370,839
Interdistrict sources	27,636	-	27,636
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	2,322,852	160,908	2,483,760
Expenditures			
Instruction			
Basic programs	573,732	-	573,732
Added needs	331,036	-	331,036
Support services			
Pupil support services	126,419	6,602	133,021
Instructional staff support services	25,792	-	25,792
General administration	407,441	16,581	424,022
School administration	187,449	-	187,449
Business support services	16,395	-	16,395
Operations and maintenance	255,725	-	255,725
Pupil transportation services	644	-	644
Central support services	97,711	-	97,711
Food services	-	152,955	152,955
Community services	3,007	-	3,007
Capital outlay	1,029,717	-	1,029,717
Debt principal and interest	257,676	-	257,676
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	3,312,744	176,138	3,488,882
Excess (deficiency) of revenues over expenditures	(989,892)	(15,230)	(1,005,122)
Other Financing Sources (Uses)			
Lease issued	1,029,717	-	1,029,717
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	39,825	(15,230)	24,595
Fund balance - July 1, 2024	273,295	74,605	347,900
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2025	<u>\$ 313,120</u>	<u>\$ 59,375</u>	<u>\$ 297,890</u>

See accompanying notes to financial statements

EAST SHORE LEADERSHIP 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:

Net Change in Fund Balances - Total Governmental Funds	\$	24,595
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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 depreciation and amortization exceeded capital outlay in the current period

Capital outlay	\$ 1,029,717	
Depreciation and amortization expense	(260,690)	733,058
Gain (loss) on disposal of capital assets	<u>(35,969)</u>	

The governmental funds report loan proceeds and leases issued as and 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:

Lease issued	\$ (1,029,717)	
Repayment of principal	<u>248,120</u>	<u>(781,597)</u>

Change in Net Position of Governmental Activities	\$	<u>(23,944)</u>
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See accompanying notes to financial statements

EAST SHORE LEADERSHIP ACADEMY

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of East Shore Leadership 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

East Shore Leadership 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, on May 21, 2014, and began operation in July 2014.

In June 2024, the Academy entered into a five-year contract with Northern Michigan University's Board of Control 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 Control 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 Northern Michigan University's Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2025 were approximately \$59,400.

In June 2024, the Academy entered into an agreement with Bold Educational Connections, LLC, "BEC" to run coterminous with the contract issued between the Academy and Northern Michigan University's Board of Control. Under the terms of this agreement, BEC will provide a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay BEC eleven percent of its state school aid revenue and all other governmental revenue sources. Total compensation for these services shall not be less than \$100,000 nor exceed \$800,000 in any one fiscal year of the Academy. Management fees for the year ended June 30, 2025 were approximately \$346,900.

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.

EAST SHORE LEADERSHIP ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

Debt Service Fund - The debt service fund, which the Academy does not currently maintain, is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

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.

EAST SHORE LEADERSHIP ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 is 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 and cash equivalents 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 no investments during the year ended June 30, 2025. 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.

EAST SHORE LEADERSHIP ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Receivables

Due from other governmental units at June 30, 2025 consist 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 or available for the purposes of these financial statements.

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 and Depreciation

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 process, when applicable, are depreciated. Improvements are depreciated 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 and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities 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.

EAST SHORE LEADERSHIP ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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:

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.

EAST SHORE LEADERSHIP ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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.

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

Leases and Subscription Based IT Arrangements (SBITA)

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

At the commencement of a lease/subscription, the Academy initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/SBITA payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before the lease/SBITA commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA 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.

EAST SHORE LEADERSHIP ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 should be presented after the fund financial statements;

EAST SHORE LEADERSHIP ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- 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.

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 general and special revenue fund budgets. During the year ended June 30, 2025 the budget was amended in a legally permissible manner. A comparison of actual expenditures against amounts appropriated can be found on pages 21 and 22 of these financial statements.

EAST SHORE LEADERSHIP ACADEMY

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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). As of June 30, 2025, the Academy did not hold any investments.

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. As of June 30, 2025, the Academy did not hold any 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, none 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.

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. As of June 30, 2025, the Academy did not hold any investments.

Foreign Currency Risk

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

EAST SHORE LEADERSHIP ACADEMY

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

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 does not have any investments that are subject to the fair value measurement.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 355,820
Federal sources	<u>45,410</u>
Total	<u><u>\$ 401,230</u></u>

EAST SHORE LEADERSHIP 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:

	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2025</u>
Capital assets subject to depreciation / amortization				
Right to use - assets	\$ 564,615	\$ 1,029,717	\$ 564,615	\$ 1,029,717
Right to use - subscription-based IT	37,940	-	-	37,940
Improvements	255,460	-	-	255,460
Equipment	188,175	-	-	188,175
Furniture	102,453	-	-	102,453
Computers and software	79,298	-	-	79,298
Subtotal	<u>1,227,941</u>	<u>1,029,717</u>	<u>564,615</u>	<u>1,693,043</u>
Accumulated depreciation / amortization				
Right to use - assets	528,646	205,943	528,646	205,943
Right to use - subscription-based IT	527	6,232	-	6,759
Improvements	65,844	18,803	-	84,647
Equipment	91,079	22,028	-	113,107
Furniture	81,585	6,577	-	88,162
Computers and software	76,068	1,107	-	77,175
Subtotal	<u>843,749</u>	<u>260,690</u>	<u>528,646</u>	<u>575,793</u>
Total net capital assets	<u>\$ 384,192</u>	<u>\$ 769,027</u>	<u>\$ 35,969</u>	<u>\$ 1,117,250</u>

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

EAST SHORE LEADERSHIP ACADEMY

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

NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2025 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 24/25	8.00%	July, 2025	Issued to provide the Academy with funds to financial its operations; secured by future state aid payments

Loan Activity

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2025</u>
SAAN 24/25	\$ -	\$ 250,000	\$ 224,213	\$ 25,787

NOTE 7 – OTHER ACCRUED LIABILITIES

Other accrued liabilities may be summarized as follows:

Purchased services - payroll and benefits	\$ 97,508
University oversight fee	10,675
Management fee	90,934
Other	<u>7,272</u>
Total other accrued expenses	<u>\$ 206,389</u>

EAST SHORE LEADERSHIP ACADEMY

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

NOTE 8 – LONG-TERM OBLIGATIONS

Long-term obligations as of June 30, 2025 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Direct borrowing - building	5.00%	June, 2029	Minimum base rent of \$225,000 or 13% of all funds received from State of Michigan; additional \$2,723 due for the first 12 months of lease

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>
Direct borrowing - building	\$ 32,584	\$ 1,029,717	\$ 248,120	\$ 814,181	\$ 188,574

Following is the maturity of the long-term obligation for principal and interest for the next four years:

	<u>Principal</u>	<u>Interest</u>
2026	\$ 188,574	\$ 36,426
2027	198,221	26,779
2028	208,363	16,637
2029	219,023	5,977

NOTE 9 - RETIREMENT PLAN

All employees leased by the Academy are eligible to participate in a retirement plan which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 3% of salaries regardless of the amount of the employee contribution. The employer will additionally match up to 3% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan.

EAST SHORE LEADERSHIP ACADEMY

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

NOTE 10 - 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 for the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

EAST SHORE LEADERSHIP 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>
Revenues				
Local sources	\$ 25,000	\$ 72,656	\$ 72,887	\$ 231
State sources	1,939,162	2,008,639	2,008,629	(10)
Federal sources	245,980	240,281	213,700	(26,581)
Interdistrict sources	20,000	27,636	27,636	-
 Total general fund revenues	 2,230,142	 2,349,212	 2,322,852	 (26,360)
Expenditures				
Instruction				
Basic programs	594,147	556,761	573,732	16,971
Added needs	450,353	415,791	331,036	(84,755)
Support services				
Pupil support services	91,681	138,125	126,419	(11,706)
Instructional staff support services	-	25,524	25,792	268
General administration	336,898	376,483	407,441	30,958
School administration	239,899	202,519	187,449	(15,070)
Business support services	21,000	2,000	16,395	14,395
Operations and maintenance	520,676	525,568	255,725	(269,843)
Pupil transportation services	-	700	644	(56)
Central support services	19,975	101,266	97,711	(3,555)
Community services	5,000	3,007	3,007	-
Capital outlay	-	-	1,029,717	1,029,717
Debt principal and interest	5,000	-	257,676	257,676
 Total general fund expenditures	 2,284,629	 2,347,744	 3,312,744	 965,000
 Excess (deficiency) of revenues over expenditures	 (54,487)	 1,468	 (989,892)	 (991,360)
Other Financing Sources (Uses)				
Lease issued	-	-	1,029,717	1,029,717
 Excess (deficiency) of revenues and other financing sources over expenditures and other uses	 (54,487)	 1,468	 39,825	 38,357
 Fund balance - July 1, 2024	 273,295	 273,295	 273,295	 -
 Fund balance - June 30, 2025	 <u>\$ 218,808</u>	 <u>\$ 274,763</u>	 <u>\$ 313,120</u>	 <u>\$ 38,357</u>

EAST SHORE LEADERSHIP ACADEMY

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
State sources	\$ 1,849	\$ 3,753	\$ 3,769	\$ 16
Federal sources	124,347	153,681	157,139	3,458
Total general fund revenues	126,196	157,434	160,908	3,474
Expenditures				
Support services				
Pupil support services	-	7,784	6,602	(1,182)
General administration	-	17,318	16,581	(737)
Food services	126,196	141,322	152,955	11,633
Total general fund expenditures	126,196	166,424	176,138	9,714
Excess (deficiency) of revenues over expenditures	-	(8,990)	(15,230)	(6,240)
Fund balance - July 1, 2024	74,605	74,605	74,605	-
Fund balance - June 30, 2025	<u>\$ 74,605</u>	<u>\$ 65,615</u>	<u>\$ 59,375</u>	<u>\$ (6,240)</u>

SUPPLEMENTARY INFORMATION

EAST SHORE LEADERSHIP ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

Local Sources

Earnings on investments	\$ 652
Other local revenues	<u>72,235</u>
Total local sources	72,887

State Sources

At risk	275,590
Special education	58,110
State aid	<u>1,674,929</u>
Total state sources	2,008,629

Federal Sources

IDEA	66,648
Title I	126,092
Title II A	10,418
Title IV	<u>10,542</u>
Total federal sources	213,700

Interdistrict Sources

	<u>27,636</u>
Total general fund revenues	<u><u>\$ 2,322,852</u></u>

EAST SHORE LEADERSHIP ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

Basic Programs

Purchased services	\$ 556,173
Repairs and maintenance	3,271
Supplies and materials	14,163
Other expenditures	125
	<hr/>
Total basic programs	573,732

Added Needs

Purchased services	249,527
Supplies and materials	81,509
	<hr/>
Total added needs	331,036

Pupil Support Services

Health services	16,371
Psychological services	5,160
Speech pathology and audiology	35,750
Social work services	69,138
	<hr/>
Total pupil support services	126,419

Instructional Staff Support Services

Purchased services	25,792
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General Administration

Management fees	346,865
University oversight	59,385
Other expenditures	1,191
	<hr/>
Total general administration	407,441

School Administration

Purchased services	179,599
Supplies and materials	6,709
Other expenditures	1,141
	<hr/>
Total school administration	187,449

EAST SHORE LEADERSHIP ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2025

Operations and Maintenance

Purchased services	147,472
Repairs and maintenance	41,010
Rentals	186
Other purchased services	4,537
Supplies and materials	60,320
Other expenditures	2,200
	<hr/>
Total operations and maintenance	255,725

Pupil Transportation Services

Purchased services	644
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Central Support Services

Purchased services	58,863
Repairs and maintenance	26,780
Other purchased services	345
Supplies and materials	6,756
Other expenditures	4,967
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Total central support services	97,711
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Community Services

Purchased services	3,007
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Capital Outlay

1,029,717

Debt Principal and Interest

257,676

Total general fund expenditures	<hr/> <u>\$ 3,312,744</u>
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EAST SHORE LEADERSHIP ACADEMY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL STATEMENT FINDINGS

**Reference
Number**

Findings

2025-001

Finding Type – Noncompliance

Criteria – The Michigan Public School Accounting Manual, Section IV, indicates that a budget provides the school board and administration with the ability to control and evaluate the use of the Academy’s funds.

Condition – Actual expenditures exceeded budgeted amounts by \$965,000.

Cause – The budget was amended during the year as required by State statute. The State statute also requires total expenditures reported in the budget to correspond to the total expenditures reported in the Statement of Revenues, Expenditures and Changes in Fund Balance. The actual amounts reported as total expenditures included capital outlay to a lease entered in the year which had a corresponding debt (other financing source) due to the adoption of the GASB Statement 87 transaction. Accordingly, as the final amended budgeted amounts did not include the non-monetary GASB 87 transaction for capital outlay expenditure, total expenditures exceeded amounts budgeted for total expenditures. There was no impact on fund balance due to other financing source being reported as required by GASB 87.

Effect – Although there is no impact to fund balance, the overage of total expenditures in the Statement of Revenue, Expenditures and Changes in Fund Balance to the approved financial budget is considered a compliance issue and is required to be reported to the State.

Recommendation – The Academy should fully review actual and anticipated revenues and expenditures and in response amend the budget accordingly in order to comply with state law and GASB pronouncements.

Auditee Response – Actual expenditures differed from the budget as a result of entries resulting from the adoption of statement GASB 87. There was no fund balance effect as the proceeds from this transaction were also included, however are shown as an other financing source and not a traditional revenue or expenditure. The Academy has reviewed and revised its accounting procedures to ensure actual results are properly and timely reviewed resulting in budget amendments throughout the year as well as understanding how the accounting pronouncements will affect the budget process.