East Shore Leadership Academy

Financial Report
with Supplementary Information
June 30, 2026

East Shore Leadership Academy

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Independent Auditor's Report

To the Board of Directors
East Shore Leadership Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of East Shore Leadership Academy (the "Academy") as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise East Shore Leadership 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 and the major fund of East Shore Leadership Academy as of June 30, 2026 and the respective changes in its 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. Our responsibilities under those standards are further described in the *Auditor's 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's 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.

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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 the budgetary comparison schedule, as identified 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, which 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 auditing standards generally accepted in the United States of America, 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 15, 2026 on our consideration of East Shore Leadership Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 East Shore Leadership 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 East Shore Leadership Academy's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 15, 2026

This section of East Shore Leadership Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2026. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand East Shore Leadership Academy financially as a whole. The academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the academy-wide financial statements by providing information about the Academy's most significant fund, the General Fund. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements

Academy-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

Note to Required Supplementary Information

Reporting the Academy as a Whole - Academy-wide Financial Statements

One of the most important questions asked about the Academy is, “As a whole, what is the Academy's financial condition as a result of the year's activities?” The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Academy's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, and food services. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

Reporting the Academy's Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds, not the Academy as a whole. Some funds are required to be established by state law. The governmental funds of the Academy use the following accounting approach:

Governmental Funds

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Overall Financial Summary

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2026 and 2025:

	Governmental Activities	
	2026	2025
	(in thousands)	
Assets		
Current and other assets	$ 646.9	$ 615.4
Capital assets	889.9	1,117.3
Total assets	1,536.8	1,732.7
Liabilities		
Current liabilities	367.9	242.9
Noncurrent liabilities	625.6	814.2
Total liabilities	993.5	1,057.1
Net Position		
Net investment in capital assets	264.3	303.1
Restricted	33.0	59.4
Unrestricted	246.0	313.1
Total net position	**$ 543.3**	**$ 675.6**

The above analysis focuses on net position. The change in net position of the Academy's governmental activities is discussed below. The Academy's net position was approximately $543,300 at June 30, 2026. Net investment in capital assets totaling approximately $264,300 compares the original cost, less depreciation and amortization of the Academy's capital assets, to long-term debt used to finance the acquisition of those assets. With the exception of the restricted food service net position of approximately $33,000, the remaining amount of net position was unrestricted.

The approximate $246,000 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements and to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2026 and 2025:

	Governmental Activities	
	2026	2025
	(in thousands)	
Revenue		
Program revenue - Operating grants	$ 925.9	$ 736.0
General revenue:		
State aid not restricted to specific purposes	1,728.0	1,674.9
Other	71.2	69.6
Total revenue	2,725.1	2,480.5
Expenses		
Instruction	1,197.8	904.8
Support services	1,211.6	1,140.7
Food services	181.4	153.0
Community services	2.8	3.0
Debt service	36.4	42.2
Depreciation and amortization expense (unallocated)	227.4	260.7
Total expenses	2,857.4	2,504.4
Change in Net Position	(132.3)	(23.9)
Net Position - Beginning of year	675.6	699.5
Net Position - End of year	**$ 543.3**	**$ 675.6**

As reported in the statement of activities, the cost of all of our governmental activities this year was approximately $2,857,400. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions of approximately $925,900. We paid for the remaining public benefit portion of our governmental activities with approximately $1,799,200 in state foundation allowance and other revenue (i.e., interest and general entitlements).

The Academy experienced a decrease in net position of approximately $132,300.

As discussed above, the net cost shows the financial burden that was placed on the State by each of these functions. Since unrestricted state aid constitutes the vast majority of academy operating revenue sources, the board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

Financial Summary of Individual Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources the State and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of $279,022, which is a decrease of approximately $93,500 from last year.

In the General Fund, our principal operating fund, fund balance decreased by $67,157 from the prior year. The primary reason for the decrease in General Fund fund balance was the cost of operating the Great Start Readiness Program (GSRP), which was not fully funded through revenue received from the Regional Educational Service Agency (RESA). Due to lower than anticipated student enrollment, the program did not generate sufficient funding to fully offset the costs associated with its operation during its initial year. As a result, the Academy utilized General Fund resources to cover the difference between program revenue and expenditures.

The board was aware of the anticipated funding shortfall and the need for additional General Fund support when the program was implemented. The decision to move forward with the program was made with a longer-term perspective, recognizing that the first year would require an investment of academy resources to establish and develop the program. Management and the board viewed this investment as an opportunity to build enrollment, establish a foundation for future growth, and develop a feeder program to support the Academy's future student population.

Although the initial operating costs placed additional pressure on the General Fund and contributed to the decline in fund balance, the Academy's investment was intended to support long-term enrollment opportunities and strengthen its educational programming. Future financial performance will depend, in part, on the program's ability to increase and sustain student enrollment, maximize available RESA funding, and align operating expenditures with the revenue generated. Management will continue to monitor enrollment trends, program funding, and related expenditures to evaluate the program's financial sustainability and minimize the impact on General Fund resources in subsequent fiscal years.

Significant Capital Asset and Long-term Financing Activity

Capital Assets

As of June 30, 2026, the Academy had $889,874 invested in capital assets, including furniture, equipment, and leasehold improvements. This amount represents a net decrease (including additions, depreciation, and amortization) of $227,376 from last year.

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the Academy had a building lease payable. We present more detailed information about the lease in the notes to the financial statements.

Currently Known Facts, Decisions, or Conditions

Our elected officials and administration consider many factors when setting the Academy's 2026-2027 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2026-2027 budget was adopted in June 2026 based on an estimate of students who will enroll in September 2026. Approximately 75.0 percent of total General Fund revenue is from the foundation allowance. Under state law, the Academy cannot access additional property tax revenue for general operations. As a result, the Academy's funding is heavily dependent on the State’s ability to fund local school operations. Based on early enrollment data at the start of the 2026-2027 school year, we anticipate that the fall student count will be consistent with the estimates used in creating the 2026-2027 budget. Once the final student count and related per pupil funding are validated on the December status report, management will provide an updated proposed budget to the board of directors for approval. State law requires the Academy to amend the budget if actual academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the Academy. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, there will be an increase of approximately $250 per pupil. The Academy adopted its 2026-2027 budget, including a $250 per pupil increase, based on the estimate from the State.

East Shore Leadership Academy

Statement of Net Position

June 30, 2026

	Governmental Activities
Assets	
Cash (Note 4)	$ 81,604
Receivables:	
Other receivables	8,318
Due from other governments	503,889
Prepaid expenses and other assets	53,151
Capital assets - Net (Note 5)	889,874
Total assets	1,536,836
Liabilities	
Accounts payable	15,945
Accrued liabilities and other:	
Accrued salaries and wages	147,617
Accrued management and authorizer fees	168,234
Accrued other	4,294
State aid anticipation note (Note 13)	25,947
Unearned revenue (Note 6)	5,903
Noncurrent liabilities:	
Due within one year (Note 8)	198,221
Due in more than one year (Note 8)	427,386
Total liabilities	993,547
Net Position	
Net investment in capital assets	264,267
Restricted - Food service	33,059
Unrestricted	245,963
Total net position	**$ 543,289**

See notes to financial statements.

East Shore Leadership Academy

Statement of Activities

Year Ended June 30, 2026

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 1,197,762	$ -	$ 543,619	$ (654,143)
Support services	1,211,655	-	204,701	(1,006,954)
Food services	181,366	-	174,751	(6,615)
Community services	2,805	-	2,805	-
Interest	36,426	-	-	(36,426)
Depreciation expense (unallocated)	227,376	-	-	(227,376)
Total primary government	**$ 2,857,390**	**$ -**	**$ 925,876**	(1,931,514)
General revenue:				
State aid not restricted to specific purposes				1,727,997
Countywide enhancement millage				6,600
Other				64,642
Total general revenue				1,799,239
Change in Net Position				(132,275)
Net Position - Beginning of year				675,564
Net Position - End of year				**$ 543,289**

See notes to financial statements.

East Shore Leadership Academy

Governmental Funds
Balance Sheet

June 30, 2026

	General Fund	Nonmajor Fund - Food Services Fund	Total Governmental Funds
Assets			
Cash (Note 4)	$ 81,604	$ -	$ 81,604
Receivables:			
Other receivables	8,318	-	8,318
Due from other governments	503,889	-	503,889
Due from other funds (Note 7)	-	33,059	33,059
Prepaid expenses and other assets	53,151	-	53,151
Total assets	**$ 646,962**	**$ 33,059**	**$ 680,021**
Liabilities			
Accounts payable	$ 15,945	$ -	$ 15,945
Due to other funds (Note 7)	33,059	-	33,059
Accrued liabilities and other:			
Accrued salaries and wages	147,617	-	147,617
Accrued management and authorizer fees	168,234	-	168,234
Accrued other	4,294	-	4,294
State aid anticipation note (Note 13)	25,947	-	25,947
Unearned revenue (Note 6)	5,903	-	5,903
Total liabilities	400,999	-	400,999
Fund Balances			
Nonspendable	53,151	-	53,151
Restricted - Food service	-	33,059	33,059
Unassigned	192,812	-	192,812
Total fund balances	245,963	33,059	279,022
Total liabilities and fund balances	**$ 646,962**	**$ 33,059**	**$ 680,021**

See notes to financial statements.

East Shore Leadership Academy

Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2026

Fund Balances Reported in Governmental Funds	$	279,022
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets and lease assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of assets		1,636,293
Accumulated depreciation and amortization		(746,419)
Net capital assets and lease assets used in governmental activities		889,874
Lease liabilities are not due and payable in the current period and are not reported in the funds		(625,607)
Net Position of Governmental Activities	**$**	**543,289**

See notes to financial statements.

East Shore Leadership Academy

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2026

	General Fund	Nonmajor Fund - Food Service Fund	Total Governmental Funds
Revenue			
Local sources	$ 64,642	$ -	$ 64,642
State sources	2,101,234	174,751	2,275,985
Federal sources	280,378	-	280,378
Interdistrict sources	104,110	-	104,110
Total revenue	2,550,364	174,751	2,725,115
Expenditures			
Current:			
Instruction:			
Basic programs	768,177	-	768,177
Added needs	429,585	-	429,585
Support services:			
Pupil	141,754	132	141,886
Instructional staff	48,944	-	48,944
General administration	376,723	18,202	394,925
School administration	196,234	-	196,234
Business	12,483	-	12,483
Operations and maintenance	285,817	-	285,817
Pupil transportation services	50	-	50
Central	108,842	1,367	110,209
Other	21,107	-	21,107
Food services	-	181,366	181,366
Community services	2,805	-	2,805
Debt service:			
Principal (Note 8)	188,574	-	188,574
Interest	36,426	-	36,426
Total expenditures	2,617,521	201,067	2,818,588
Net Change in Fund Balances	(67,157)	(26,316)	(93,473)
Fund Balances - Beginning of year	313,120	59,375	372,495
Fund Balances - End of year	**$ 245,963**	**$ 33,059**	**$ 279,022**

See notes to financial statements.

East Shore Leadership Academy

Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2026

Net Change in Fund Balances Reported in Governmental Funds	$	(93,473)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation or amortization - Depreciation and amortization expense		(227,376)
Repayment of lease liabilities is an expenditure in the governmental funds but not in the statement of activities (where it reduces lease liabilities)		188,574
Change in Net Position of Governmental Activities	**$**	**(132,275)**

Note 1 - Nature of Business

East Shore Leadership Academy (the "Academy") is an academy in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The Academy follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Academy:

Reporting Entity

The Academy was formed as a charter 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 operates under a contract with Northern Michigan University 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 Northern Michigan University 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 underwent a reauthorization process to extend the charter to June 30, 2029.

The Academy pays the Northern Michigan University board of trustees 3.0 percent of state aid as administrative fees. The total administrative fees for the year ended June 30, 2026 to the Northern Michigan University board of trustees were approximately $62,400.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the academy-wide perspective and the fund-based perspective. The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Academy. The academy-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted intergovernmental receipts and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the academy-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

The Academy accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Academy to show the particular expenditures for which specific revenue is used. The various funds are aggregated into one broad fund type:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Academy reports the following fund as a major governmental funds:

- **General Fund** - The General Fund is the primary operating fund. It accounts for all financial resources of the Academy.

Additionally, the Academy reports the following nonmajor governmental fund type:

- **Special Revenue Fund** - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The Academy's nonmajor special revenue fund is the Food Service Fund. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from federal sources. Any operating deficit generated by these activities is the responsibility of the General Fund.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Academy has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Academy considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Interfund Activity

During the course of operations, the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the academy-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers and resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash

Cash includes demand deposits.

Receivables and Payables

In general, outstanding balances between funds are reported as due to/from other funds. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both academy-wide and fund financial statements, when applicable.

Capital Assets

Capital assets, which include furniture, equipment, and leasehold improvements, are reported in the applicable governmental activities column in the academy-wide financial statements. Capital assets also include leased assets, the accounting for which is further defined in the *Leases* paragraphs below. Capital assets are defined by the Academy as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Leasehold improvements	Life of the lease
Furniture and equipment	5-10 years
Lease assets - Building and copier	5 years

Net Position

Net position of the Academy is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and amortization and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The Academy will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the academy-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

The Academy will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the Academy that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Academy has, by resolution, authorized the finance director to assign fund balance. The board of directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Grants and Contributions

The Academy receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as noncapital subsidies revenue. Amounts restricted to capital acquisitions are reported as other nonoperating revenue.

Leases

The Academy is a lessee for a noncancelable lease of its building. The Academy recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the applicable governmental activities column in the academy-wide financial statements. The Academy recognizes lease assets and liabilities with an initial value of $1,000 or more.

Note 2 - Significant Accounting Policies (Continued)

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

Key estimates and judgments related to leases include how the Academy determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease 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.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease 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 and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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

Subscriptions

The Academy obtains the right to use vendors' information technology software through various long-term contracts. The Academy recognizes a subscription liability and an intangible right-of-use subscription asset (the "subscription asset") in the applicable governmental or business-type activities column in the government-wide financial statements. The Academy recognizes subscription assets and liabilities with an initial value of $1,000 or more.

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

Key estimates and judgments related to subscriptions include how the Academy determines the discount rate it uses to discount the expected subscription payments to present value and the subscription term.

- The Academy uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancelable period of the subscription.

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

Subscription assets are reported with other capital assets, and subscription liabilities are reported with long-term debt on the statement of net position.

Note 2 - Significant Accounting Policies (Continued)

Accounting Changes

Adoption of New Accounting Pronouncement

During the current year, the Academy adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. The new accounting standard impacted the organization and disclosure requirements of management's discussion and analysis and budgetary comparison disclosures in the required supplementary information. The adoption of the new standard did not have a significant impact on the Academy's financial statements.

Upcoming Accounting Pronouncement

In December 2025, the Governmental Accounting Standards Board issued Statement No. 105, *Subsequent Events*, which improves financial reporting requirements for subsequent events by clarifying the subsequent events time frame and the distinction between recognized and nonrecognized events. This statement also establishes specific note disclosure requirements and requires disclosure of the date through which subsequent events have been evaluated. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2027.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and the special revenue fund, except that capital outlay expenditures are budgeted in other expenditure categories. Capital outlay expenditures are included in the functional categories to which they relate in accordance with the adopted budget of the Academy. Capital outlay is presented separately on the statement of revenue, expenditures, and changes in fund balances. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits academies to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. Amendments were made during the year to refine enrollment and related spending projections.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Note 4 - Deposits

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy does not currently hold any investments. The Academy's deposits are in accordance with statutory authority.

The Academy has designated one bank for the deposit of its funds.

Note 4 - Deposits (Continued)

The Academy's cash is subject to a certain type of risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy evaluates its depositories, and only those with an acceptable risk level are used for the Academy's deposits. At June 30, 2026, the Academy has no bank deposits (checking and savings accounts) were uninsured and uncollateralized.

At year end, the Academy's deposits were reported in the basic financial statements as cash of $81,604.

Note 5 - Capital Assets

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

	Balance July 1, 2025	Additions	Disposals and Adjustments	Balance June 30, 2026
Capital assets being depreciated or amortized:				
Buildings and improvements	$ 255,460	$ -	$ -	$ 255,460
Furniture and equipment	290,628	-	(3,151)	287,477
Lease assets - Building	1,029,717	-	-	1,029,717
Subscription assets	37,940	-	-	37,940
Computers and software	79,298	-	(53,599)	25,699
Subtotal	1,693,043	-	(56,750)	1,636,293
Accumulated depreciation and amortization:				
Buildings and improvements	84,647	18,803	-	103,450
Furniture and equipment	201,269	29,523	(3,151)	227,641
Lease assets - Building	205,943	171,620	-	377,563
Subscription assets	6,759	6,323	-	13,082
Computers and software	77,175	1,107	(53,599)	24,683
Subtotal	575,793	227,376	(56,750)	746,419
Net governmental activities capital assets	$ 1,117,250	$ (227,376)	$ -	$ 889,874

Depreciation and amortization expense was not charged to activities, as the Academy's assets benefit multiple activities and allocation is not practical.

Note 6 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2026, the Academy had no unavailable revenue and $5,903 of unearned revenue primarily related to grant and categorical aid payments received prior to meeting all eligibility requirements.

Note 7 - Interfund Receivables and Payables

The Food Service Fund has amounts due from the General Fund totaling $33,059 related to the time lag between the dates that reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2026 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Leases (Note 9)	$ 814,181	$ -	$ (188,574)	$ 625,607	$ 198,221

Other Long-term Liabilities

Lease liability will be liquidated by the General Fund.

Note 9 - Leases

The Academy leases its building from a third party. The Academy's lease includes minimum annual rent of $225,000. Additional rental payments may be required if 13 percent of qualifying state aid revenue exceeds the minimum rent. Variable payments were not included in measurement of the lease liability. The Academy is responsible for repairs and maintenance of the facility.

Lease asset activity of the Academy is included in Note 5.

Future principal and interest payment requirements related to the Academy's lease liability at June 30, 2026 are as follows:

Years Ending	Principal	Interest	Total
2027	$ 198,221	$ 26,779	$ 225,000
2028	208,363	16,637	225,000
2029	219,023	5,977	225,000
Total	$ 625,607	$ 49,393	$ 675,000

Note 10 - Management Agreement

The Academy entered into a management agreement with Bold Education Connections, LLC (Bold) that expires on June 30, 2027. Under the agreement, Bold is responsible for the management, operation, administration, and educational services of the Academy. During the year, management and staffing services were provided by Summit Management Consulting, LLC (Summit), an entity under common ownership with Bold. Academy personnel are employed and provided by Summit pursuant to the management arrangement. Under the terms of the agreement, the annual management fee is equal to 11 percent of the Academy's total revenue received for the school year ended June 30, 2026. The total management fee expensed by the Academy for the year ended June 30, 2026 was $298,742.

Note 11 - Related Party Transactions

Bold Education Connections, LLC serves as the Academy's contractual management company, while Summit Management Consulting, LLC provides staffing and management services to the Academy, as described in Note 10. The Academy's chief executive officer (CEO) is also a member/owner of Summit Management Consulting, LLC and Bold Education Connections, LLC. The board of directors is directly responsible for appointing the management company, and the CEO is not eligible to vote for this appointment.

Note 12 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company is covered by the insurance held by the management company. The Academy has purchased commercial insurance for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

Note 13 - Short-term Debt

State Aid Anticipation Note

The Academy has direct borrowings from the Michigan Finance Authority (the “Lender”) to provide sufficient resources before receiving its scheduled state aid. This liability is recorded as a fund liability in the General Fund. The Academy had an outstanding balance of $25,787 at June 30, 2025 on an existing state aid anticipation note.

During the year, the Academy borrowed an additional $250,000 in a state aid anticipation note. The Academy paid $249,840 in total, resulting in an outstanding balance of $25,947 at June 30, 2026. The note bore interest at 8.00 percent, was payable in monthly installments of $26,120 beginning in October 2025, and matured in July 2026. At June 30, 2026, the Academy had no accrued interest on the note. The note was paid in full subsequent to June 30, 2026.

In the event of default, the note is fully collateralized by the Academy’s future state aid funding and the Lender has the authority to intercept state aid payments at its discretion. In the event that all or a portion of the required payments at maturity are not made, a penalty interest rate will go into effect that is equal to 3.00 percent above the interest rate stated above, and interest becomes due on demand. If the Lender has reason to believe that the Academy will be unable to fulfill the required repayments, the Lender has the sole discretion to accelerate the principal and interest repayments.

During July 2026, the Academy borrowed an additional $250,000 in a state aid anticipation note, which bears interest at 7.50 percent and is payable in monthly installments of $26,028 beginning in October 2026. The note matures in July 2027.

Note 14 - Retirement Plan

The Academy participates in a defined contribution 401(k) plan sponsored by Summit Management Consulting, LLC for eligible employees. The plan permits employee salary deferrals and provides for a safe harbor nonelective employer contribution equal to 3 percent of eligible compensation. The plan also permits discretionary employer matching and profit-sharing contributions. Employer contribution expense incurred by the Academy under the plan was approximately $29,100 for the year ended June 30, 2026.

Required Supplementary Information

East Shore Leadership Academy

Required Supplementary Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2026

	Original Budget	Final Budget	Final Budget Variance with Original Budget - Over (Under)	Actual	Actual Variance with Final Budget - Over (Under)
Revenue					
Local sources	$ 22,156	$ 64,377	$ 42,221	$ 64,642	$ 265
State sources	1,896,654	2,099,920	203,266	2,101,234	1,314
Federal sources	240,281	287,141	46,860	280,378	(6,763)
Interdistrict sources	27,636	99,060	71,424	104,110	5,050
Total revenue	2,186,727	2,550,498	363,771	2,550,364	(134)
Expenditures					
Current:					
Instruction:					
Basic programs	571,784	777,742	205,958	768,177	(9,565)
Added needs	368,012	436,713	68,701	429,585	(7,128)
Total instruction	939,796	1,214,455	274,659	1,197,762	(16,693)
Support services:					
Pupil	140,160	139,297	(863)	141,754	2,457
Instructional staff	25,549	49,087	23,538	48,944	(143)
General administration	313,740	376,080	62,340	376,723	643
School administration	205,908	199,027	(6,881)	196,234	(2,793)
Business	2,000	12,533	10,533	12,483	(50)
Operations and maintenance	459,835	289,116	(170,719)	285,817	(3,299)
Pupil transportation services	700	50	(650)	50	-
Central	94,779	110,652	15,873	108,842	(1,810)
Other	-	21,107	21,107	21,107	-
Total support services	1,242,671	1,196,949	(45,722)	1,191,954	(4,995)
Community services	3,007	4,217	1,210	2,805	(1,412)
Debt service	-	225,000	225,000	225,000	-
Total expenditures	2,185,474	2,640,621	455,147	2,617,521	(23,100)
Net Change in Fund Balance	1,253	(90,123)	(91,376)	(67,157)	22,966
Fund Balance - Beginning of year	313,120	313,120	-	313,120	-
Fund Balance - End of year	**$ 314,373**	**$ 222,997**	**$ (91,376)**	**$ 245,963**	**$ 22,966**

See note to required supplementary information.

Budgetary Information

Significant variances between original and amended budget - The Academy had significant variances between the original and amended budget related to the following: local sources revenue, state sources revenue, federal sources revenue, interdistrict sources revenue, basic program expenditures, added needs expenditures, general administration expenditures, operations and maintenance expenditures, and debt service expenditures.

Local revenue increased following the receipt of an additional grant award from Northern Michigan University (NMU) in late winter. State revenue increased as fall enrollment projections were higher than originally anticipated, resulting in an increase in enrollment-driven state funding. Federal revenue also increased during the budget amendment process, as the Academy applied for and received a carryover waiver, allowing additional grant funds from a prior period to be utilized to support eligible program expenditures. Interdistrict revenue increased significantly due to the implementation of a Great Start Readiness Program (GSRP) in December 2025, which provided an additional source of revenue to support early childhood education services.

Expenditures for basic programs and added needs increased in response to the additional programming and associated funding received during the year. These increases reflect the costs necessary to deliver the educational services supported by the additional revenue, including the instructional and staffing resources required to meet student needs and program requirements. General administration expenditures also increased, primarily due to fees associated with the additional revenue and funding activity during the fiscal year.

Operations and maintenance expenditures decreased in part because rental expenses were reclassified to debt service, resulting in a change in the functional presentation of those costs rather than a reduction in the underlying rental obligation. This decrease was partially offset by building repairs and other facility-related costs incurred throughout the year to maintain the Academy's facilities and support ongoing operations.

Management reviewed the budget during the fiscal year and made amendments to reflect updated revenue projections, changes in program operations, and anticipated expenditures. These adjustments were intended to align the Academy's budget with the funding available and the costs necessary to support its educational programs and facility needs. The final amended budget, therefore, more accurately reflected the Academy's operating expectations and program commitments for the fiscal year.

Significant variances between final budget and actual amounts - The Academy did not have significant variances between the amended budget and actual results.

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*

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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*

Independent Auditor's Report

To Management and the Board of Directors
East Shore Leadership Academy

We have audited, in accordance with 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 and each major fund of East Shore Leadership Academy (the "Academy") as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 15, 2026.

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 have not been identified.

Report on Compliance and Other Matters

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

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East Shore Leadership Academy

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.

Plante & Moran, PLLC

October 15, 2026