INNOCADEMY ALLEGAN CAMPUS

REPORT ON FINANCIAL STATEMENTS
(with required supplemental information)

YEAR ENDED JUNE 30, 2026

Maner Costerisan

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT 1-3

MANAGEMENT'S DISCUSSION AND ANALYSIS 4-11

BASIC FINANCIAL STATEMENTS 12

Government-Wide Financial Statements
Statement of Net Position 13
Statement of Activities 14

Fund Financial Statements
Balance Sheet - Governmental Fund 15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund 16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities 17

Notes to Financial Statements 18-27

REQUIRED SUPPLEMENTARY INFORMATION 28

Budgetary Comparison Schedule - General Fund 29

Notes to Required Supplementary Information 30-31

INDEPENDENT AUDITOR'S 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* 32-33

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Innocademy Allegan Campus

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Innocademy Allegan Campus, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Innocademy Allegan Campus's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Innocademy Allegan Campus, as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Innocademy Allegan Campus 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 Innocademy Allegan Campus'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.

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 generally accepted auditing standards 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 generally accepted auditing standards 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 Innocademy Allegan Campus'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 Innocademy Allegan Campus'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 other required supplementary information, 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 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 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 5, 2026 on our consideration of Innocademy Allegan Campus'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 Innocademy Allegan Campus'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 Innocademy Allegan Campus's internal control over financial reporting and compliance.

Maner Costerisan PC

Lansing, Michigan
October 5, 2026

INNOCADEMY ALLEGAN CAMPUS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of management's discussion and analysis (MD&A) is to help Innocademy Allegan Campus's (Academy) readers understand what the financial statements and notes in this financial report say about the Academy's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the Academy's finances.

If you have any questions about this report or need any additional information, please contact the Academy at 2611 56th Street, Fennville, Michigan 49408.

OVERVIEW OF THE FINANCIAL STATEMENTS

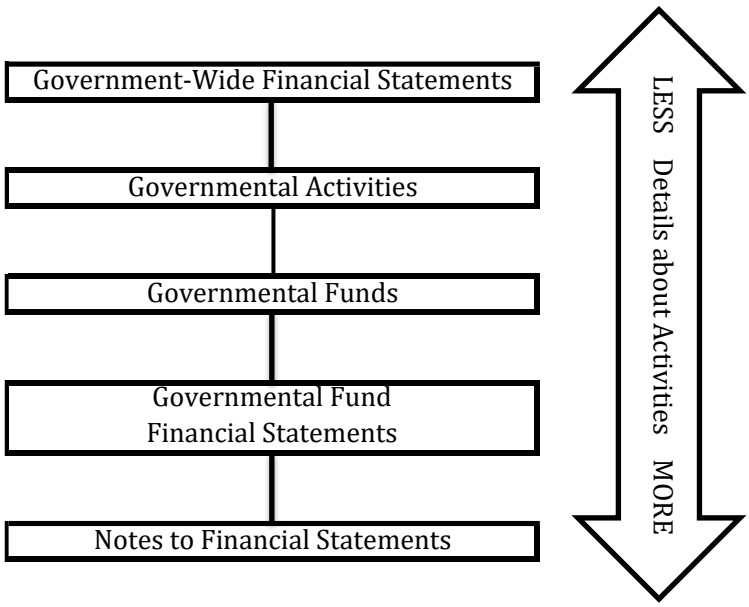
The Academy's financial report contains basic financial statements. Those financial statements present the Academy's finances at both an overall and a detailed level. The first two – the *government-wide financial statements* - cover the Academy's governmental activities. (See the diagram in Figure A-1.)

- *Governmental Activities* comprise the Academy's most basic functions, such as instruction and support services. Governmental activities primarily are financed by state aid and federal grants. These statements provide both short-term and long-term information.

The remaining basic financial statements present the Academy's finances in greater detail. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The Academy reports one group of funds:

- *Governmental Fund Financial Statements* report all of the governmental activities. In addition to the Academy's main operating fund – the general fund – those financial statements report special revenue funds that track the use of restricted or committed funding sources.

Figure A-1. Contents of the Academy's Basic Financial Statements



The next section of this financial report contains *notes to financial statements*, which delve deeper into the Academy's finances as reported in the financial statements. The information in the notes is as important to understanding the Academy's finances as the information in the financial statements. The Academy uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

All of the Academy's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting. (See Figure A-2.) In other words, they comprehensively report all types of financial statement elements (as applicable):

- *Assets* - resources the Academy controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.

- *Liabilities* - amounts the Academy owes, from short-term liabilities such as salaries and related items to long-term liabilities such as outstanding debt and pension obligations.

- *Deferred Outflows of Resources and Deferred Inflows of Resources* - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.

- *Revenues and Expenses* - inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on the construction.

Figure A-2. Types of Information Reported in the Academy's Financial Statements

	Financial Statements	
	Government-wide	Governmental Funds
Types of assets and liabilities	* All assets and liabilities, both financial and nonfinancial, short term and long term	* Only current financial resources, such as cash, receivables, and accounts payable
Types of revenues/additions	* All types of revenues/additions that flow into the Academy during the year that relate to that year, regardless of when cash is received	* Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/deductions/ expenditures	* All types of expenses/deductions that flow out of the Academy during the year that relate to that year, regardless of when cash is paid	* Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	* All types of resources that flow into and out of the Academy during the year that relate to a future year	* Current financial resources that flow into and out of the governmental funds during the year that related to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies.

ANALYSIS OF THE ACADEMY'S FINANCES

Table A-1
Innocademy Allegan Campus's Net Position

	2026	2025	Dollar Change	Total Percentage Change
Current assets	$ 634,718	$ 601,795	$ 32,923	5.5%
Capital assets	224,231	256,010	(31,779)	-12.4%
Total assets	858,949	857,805	1,144	0.1%
Current liabilities	128,146	149,093	(20,947)	-14.0%
Noncurrent liabilities	112,903	148,024	(35,121)	-23.7%
Total liabilities	241,049	297,117	(56,068)	-18.9%
Net position				
Net investment in capital assets	111,328	107,986	3,342	3.1%
Unrestricted	492,045	452,702	39,343	8.7%
Total net position	$ 603,373	$ 560,688	$ 42,685	7.6%

Table A-1 shows that as of June 30, 2026, the Academy's total net position – assets minus liabilities - was $603,373, an increase of $42,685 or 7.6% compared with 2025. This increase is primarily due to a $39,343 or 8.7% increase in unrestricted net position. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in an increase in net position. While net position continued to grow, the increase was less than 2025; however, the primary factors affecting the change in net position are as follows:

1. Increase in operating grants and contributions.
2. Increase in expenses for certain programs and functions.

Table A-2
Changes in Innocademy Allegan Campus's Net Position

	2026	2025	Dollar Change	Total Percentage Change
Revenues				
Program revenues				
Operating grants and contributions	$ 364,933	$ 250,214	$ 114,719	45.8%
General revenues				
State - unrestricted	985,905	1,004,151	(18,246)	-1.8%
Intermediate sources	90,279	79,452	10,827	13.6%
Other	10,065	23,736	(13,671)	-57.6%
Total revenues	1,451,182	1,357,553	93,629	6.9%
Expenses				
Instruction	682,668	579,152	103,516	17.9%
Support services	648,439	611,632	36,807	6.0%
Community services	1,025	707	318	45.0%
Student/school activities	3,611	1,761	1,850	105.1%
Interest and fees	5,274	6,666	(1,392)	-20.9%
Unallocated depreciation/amortization	67,480	67,124	356	0.5%
Total expenses	1,408,497	1,267,042	141,455	11.2%
Change in net position	42,685	90,511	$ (47,826)	-52.8%
Net position - beginning of year	560,688	470,177		19.3%
Net position - end of year	$ 603,373	$ 560,688		7.6%

Increase in Operating Grants and Contributions

There were notable increases in operating grants and contributions compared to the prior year, which accounts for 25.1% of overall revenues. A large part of the increase is due to an additional 31a allocation in the current year.

Increase in Expenses

Total expenses for the Academy increased by 11.2% overall. The significant increase was due to an increase in instruction expenses of 17.9%.

GOVERNMENTAL FUNDS

The Academy reports one major fund individually in the governmental fund financial statements. This fund is the general fund. Most of the discussion regarding governmental activities is equally applicable to the finances of this governmental fund. However, certain factors that are relevant to the Academy's current financial health are more apparent in the fund financial statements than in the government-wide statements. The changes are shown in Table A-3 and are discussed in more detail below.

Table A-3
Revenues, Expenditures, and Changes in Fund Balances

	General Fund	
	2026	2025
REVENUES	$ 1,442,696	$ 1,354,765
EXPENDITURES	1,408,228	1,442,435
Excess (deficiency) of revenues over (under) expenditures	34,468	(87,670)
OTHER FINANCING SOURCES (USES)		
Proceeds from lease	-	180,997
Net change in fund balance	34,468	93,327
Fund balance - beginning of year	448,146	354,819
Fund balance - end of year	$ 482,614	$ 448,146

Fund balance represents the financial standing of a governmental fund at the end of the fiscal year from a short-term perspective.

General Fund

The fund balance of the Academy's general fund increased by 7.7%. The increase in fund balance is attributable to an increase in revenues (previously discussed).

The overall fund balance at the end of June 30, 2026 represented approximately 34.3% of operating expenditures. Within fund balance, approximately 86.5% of the balance is considered unassigned. The remaining 13.5% is considered either nonspendable, restricted, committed, or assigned for other items and is not readily available for use.

SIGNIFICANT CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets-original cost minus accumulated depreciation/amortization - decreased 12.4% compared to 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
Innocademy Allegan Campus's Capital Assets

	2026			2025	
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value	Total Percentage Change
Furniture and equipment	$ 367,414	$ 308,470	$ 58,944	$ 50,809	16.0%
Leasehold improvements	103,371	56,778	46,593	46,565	0.1%
Right to use - buildings	180,997	72,398	108,599	144,798	-25.0%
Right to use - copier	9,490	9,490	-	378	-100.0%
Right to use - subscription-based IT	16,825	6,730	10,095	13,460	-25.0%
Total	$ 678,097	$ 453,866	$ 224,231	$ 256,010	-12.4%

Capital asset additions of $35,701 during the year included technology purchases, facility improvements, and a portable office unit. Depreciation and amortization expense of $67,480 exceeded current-year additions, resulting in a decrease in net capital assets of $31,779. There were no capital asset disposals during the year.

Long-term Obligations

Overall, the carrying value of the Academy's long-term obligations decreased by 23.7% from the prior year. See Table A-5 for the carrying value of the Academy's long-term obligations.

Table A-5
Innocademy Allegan Campus's
Outstanding Long-Term Obligations

	2026	2025	Total Percentage Change
Notes from direct borrowings and direct placements	$ 112,903	$ 148,024	-23.7%

During the 2026 fiscal year, the Academy did not enter into any new long-term debt agreements. Scheduled principal payments of $35,121 were made on existing obligations, resulting in a reduction of the Academy's outstanding long-term liabilities.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

There are several factors that could significantly affect the financial health of the Academy in the future.

- The Academy will be receiving an increase of $250 per pupil state aid for the 2026-27 school year. This additional funding will help strengthen the Academy's financial stability and support the educational experiences for students and staff retention.

- The Academy has adopted a general fund budget for the 2026-27 school year in which expenditures are expected to exceed revenues by $64,125.

BASIC FINANCIAL STATEMENTS

INNOCADEMY ALLEGAN CAMPUS
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 352,455
Intergovernmental receivable	281,094
Prepaids	1,169
Capital assets, net of accumulated depreciation/amortization	224,231
TOTAL ASSETS	858,949
LIABILITIES	
Accounts payable	33,524
Intergovernmental payable	14,527
Unearned revenue	90,651
Accrued purchased services - payroll and related	3,971
Noncurrent liabilities	
Due within one year	36,142
Due in more than one year	76,761
TOTAL LIABILITIES	255,576
NET POSITION	
Net investment in capital assets	111,328
Unrestricted	492,045
TOTAL NET POSITION	$ 603,373

See notes to financial statements.

INNOCADEMY ALLEGAN CAMPUS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 682,668	$ -	$ 255,928	$ (426,740)
Support services	648,439	-	100,519	(547,920)
Community services	1,025	-	-	(1,025)
Student/school activities	3,611	-	8,486	4,875
Interest and fees	5,274	-	-	(5,274)
Depreciation/amortization (unallocated)	67,480	-	-	(67,480)
Total governmental activities	$ 1,408,497	$ -	$ 364,933	(1,043,564)
General revenues				
State sources - unrestricted				985,905
Intermediate sources				90,279
Other				10,065
Total general revenues				1,086,249
CHANGE IN NET POSITION				42,685
NET POSITION, beginning of year				560,688
NET POSITION, end of year				$ 603,373

See notes to financial statements.

INNOCADEMY ALLEGAN CAMPUS
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2026

	General Fund	Nonmajor (Special Revenue) Governmental Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 343,024	$ 9,431	$ 352,455
Intergovernmental receivable	281,094	-	281,094
Prepaids	1,169	-	1,169
TOTAL ASSETS	$ 625,287	$ 9,431	$ 634,718
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	$ 33,524	$ -	$ 33,524
Intergovernmental payable	14,527	-	14,527
Unearned revenue	90,651	-	90,651
Accrued purchased services - payroll and related	3,971	-	3,971
TOTAL LIABILITIES	142,673	-	142,673
FUND BALANCE			
Prepaids	1,169	-	1,169
Committed for student/school activities	-	9,431	9,431
Assigned for subsequent year expenditures	64,125	-	64,125
Unassigned	417,320	-	417,320
TOTAL FUND BALANCE	482,614	9,431	492,045
TOTAL LIABILITIES AND FUND BALANCE	$ 625,287	$ 9,431	$ 634,718
Total governmental fund balances			$ 492,045
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
The cost of the capital assets is		$ 678,097	
Accumulated depreciation/amortization is		(453,866)	
			224,231
Long-term obligations are not due and payable in the current period and are not reported in the funds:			
Direct borrowings and direct placements			(112,903)
Net position of governmental activities			$ 603,373

See notes to financial statements.

INNOCADEMY ALLEGAN CAMPUS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2026

	General Fund	Nonmajor (Special Revenue) Governmental Fund	Total Governmental Funds
REVENUES			
Local revenue	$ 10,065	$ -	$ 10,065
State sources	1,232,652	-	1,232,652
Federal sources	109,700	-	109,700
Intermediate sources	90,279	-	90,279
Student/school activities	-	8,486	8,486
TOTAL REVENUES	1,442,696	8,486	1,451,182
EXPENDITURES			
Current			
Instruction			
Basic programs	459,778	-	459,778
Added needs	222,890	-	222,890
Total instruction	682,668	-	682,668
Support services			
Pupil	126,902	-	126,902
Instructional staff	155,375	-	155,375
General administration	91,229	-	91,229
School administration	43,534	-	43,534
Business services	17,763	-	17,763
Operation and maintenance	138,158	-	138,158
Pupil transportation	33,232	-	33,232
Central support services	77,947	-	77,947
Total support services	684,140	-	684,140
Community services	1,025		1,025
Student/school activities	-	3,611	3,611
Debt service			
Principal repayment	35,121	-	35,121
Interest	5,274	-	5,274
Total debt service	40,395	-	40,395
TOTAL EXPENDITURES	1,408,228	3,611	1,411,839
NET CHANGE IN FUND BALANCE	34,468	4,875	39,343
FUND BALANCE			
Beginning of year	448,146	4,556	452,702
End of year	$ 482,614	$ 9,431	$ 492,045

See notes to financial statements.

INNOCADEMY ALLEGAN CAMPUS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Net change in fund balances total governmental funds	$	39,343
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization.		
Capital outlay		35,701
Depreciation/amortization expense		(67,480)
Proceeds and repayments of principal on long-term debts are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities).		
Payments on direct borrowings and direct placements		35,121
Change in net position of governmental activities	$	42,685

See notes to financial statements.

INNOCADEMY ALLEGAN CAMPUS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of 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 activities of the Academy. *Governmental activities* normally are supported by intergovernmental revenues.

Reporting Entity

Innocademy Allegan Campus (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Lake Superior State University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2029. The Academy's Board of Directors is approved by the authorizing body and is authorized to manage the Academy and the property and affairs of the Academy. The Academy receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. The Academy's reporting entity does not contain any component units as defined by Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity (if any) has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy's funds. Separate statements for each category are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Academy reports the following *Major Governmental Fund*:

The *General Fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The Academy reports the following *Other Nonmajor Fund:*

The *Special Revenue* fund accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Academy accounts for its student/school activities in the special revenue fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

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, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported as gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in the governmental fund.

State and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school academies based on information supplied by the Academy.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand and demand deposits.

Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 2 years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets (continued)

Land and construction in progress, if any, are not depreciated. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the Academy are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Years
Furniture and equipment	3 - 15
Leasehold improvements	3 - 30
Right to use - buildings	5
Right to use - copier	5
Right to use - subscription-based IT	5

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Academy has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has no items that qualify for reporting in this category.

Net Position Flow Assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-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.

Fund Balance Flow Assumptions

Sometimes the Academy will 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. Further, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

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 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 adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors has by resolution authorized the superintendent and 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 only exist 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.

Leases

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

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

Key estimates and judgements related to leases 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

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 obligations on the statement of net position.

Subscription-based IT Arrangements (SBITA)

Subscriber: The Academy is a subscriber for noncancelable subscriptions of IT arrangements. The Academy recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements.

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

Key estimates and judgements related to a SBITA include how the Academy determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) 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 SBITA.

- The SBITA term includes the noncancelable period of the subscription. SBITA payments included in the measurement of the 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 SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

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

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE 2 - CASH DEPOSITS - CREDIT RISK

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2026, the bank balance of the Academy's cash equivalents, was $353,618. Federal depository insurance covers $250,000 of the balance, leaving $103,618 uninsured and uncollateralized.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2026 consist of the following:

	Government-wide
State sources	$ 219,165
Federal sources	49,077
Other	12,852
	$ 281,094

Intergovernmental receivables include amounts due from federal, state and other sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

NOTE 4 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
Governmental activities				
Furniture and equipment	$ 340,813	$ 26,601	$ -	$ 367,414
Leasehold improvements	94,271	9,100	-	103,371
Right to use - buildings	180,997	-	-	180,997
Right to use - copier	9,490	-	-	9,490
Right to use - subscription-based IT	16,825	-	-	16,825
	642,396	35,701	-	678,097
Accumulated depreciation/amortization				
Furniture and equipment	290,004	18,466	-	308,470
Leasehold improvements	47,706	9,072	-	56,778
Right to use - buildings	36,199	36,199	-	72,398
Right to use - copier	9,112	378	-	9,490
Right to use - subscription-based IT	3,365	3,365	-	6,730
	386,386	67,480	-	453,866
Net governmental capital assets	$ 256,010	$ (31,779)	$ -	$ 224,231

Depreciation/amortization expense for the fiscal year ended June 30, 2026 amounted to $67,480. The Academy determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2026:

	Direct Borrowings and Direct Placements
Balance, July 1, 2025	$ 148,024
Repayments	(35,121)
Balance, June 30, 2026	112,903
Due within one year	36,142
Due in more than one year	$ 76,761

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2026 are comprised of the following issues:

Direct Borrowings and Direct Placements

During the 2025 fiscal year, Innocademy Allegan entered into a five-year lease agreement as lessee for the use of a building. Innocademy Allegan is required to make monthly principal and interest payments of $3,333. The lease has an interest rate of 4.0%.	$ 112,903

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of $112,903 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable

The annual requirements to amortize long-term obligations outstanding, including interest of $7,097, as of June 30, 2026, are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements Principal	Interest	Total
2027	$ 36,142	$ 3,858	$ 40,000
2028	37,614	2,386	40,000
2029	39,147	853	40,000
	$ 112,903	$ 7,097	$ 120,000

Interest expense (all funds) for the year ended June 30, 2026 was $5,274.

NOTE 6 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid to Lake Superior State University. These oversight responsibilities include the approval of Innocademy Allegan Campus's operating plan, monitoring compliance with provisions of the charter contract and the selection of members for the Board of Directors. During the year ended June 30, 2026, the Academy incurred expense of $36,683 for oversight fees.

NOTE 7 - PURCHASED SERVICES

The Academy leases all employee services from Innovative Education Services, Inc. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of Innovative Education Services, Inc. There was $3,971 due to Innovative Education Services, Inc. at June 30, 2026.

NOTE 8 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To minimize the risk, the Academy carries commercial insurance.

NOTE 9 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

NOTE 10 - CHANGES IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2026, the Academy implemented the following GASB standards:

GASB Statement No. 103, *Financial Reporting Model Improvements.* The Standard addressed the following areas:

a. Management's discussion and analysis (MD&A)
b. Unusual or infrequent items
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
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;
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.

GASB 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. This Statement also requires additional disclosures for capital assets held for sale.

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENT

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026-2027 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

INNOCADEMY ALLEGAN CAMPUS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2026

	Budgeted Amounts		Variance with		Variance with
	Original Budget	Final Budget	Original and Final Budget	Actual	Final Budget and Actual
REVENUES					
Local sources	$ 23,122	$ 10,070	$ (13,052)	$ 10,065	$ (5)
State sources	1,300,108	1,261,594	(38,514)	1,232,652	(28,942)
Federal sources	60,835	107,623	46,788	109,700	2,077
Intermediate sources	70,400	72,875	2,475	90,279	17,404
TOTAL REVENUES	1,454,465	1,452,162	(2,303)	1,442,696	(9,466)
EXPENDITURES					
Instruction					
Basic programs	484,327	474,810	9,517	459,778	15,032
Added needs	201,406	240,562	(39,156)	222,890	17,672
Total instruction	685,733	715,372	(29,639)	682,668	32,704
Support services					
Pupil	137,011	127,275	9,736	126,902	373
Instructional staff	172,443	156,293	16,150	155,375	918
General administration	102,106	91,966	10,140	91,229	737
School administration	51,130	44,800	6,330	43,534	1,266
Business services	18,463	17,770	693	17,763	7
Operation and maintenance	134,952	142,714	(7,762)	138,158	4,556
Pupil transportation	67,542	45,871	21,671	33,232	12,639
Central support services	40,585	81,199	(40,614)	77,947	3,252
Total support services	724,232	707,888	16,344	684,140	23,748
Community service	1,500	1,250	250	1,025	225
Debt service					
Principal repayment	35,121	35,121	-	35,121	-
Interest	7,879	5,879	2,000	5,274	605
Total debt service	43,000	41,000	2,000	40,395	605
TOTAL EXPENDITURES	1,454,465	1,465,510	(11,045)	1,408,228	57,282
NET CHANGE IN FUND BALANCE	-	(13,348)	(13,348)	34,468	47,816
FUND BALANCE					
Beginning of year	448,146	448,146	-	448,146	-
End of year	$ 448,146	$ 434,798	$ (13,348)	$ 482,614	$ 47,816

INNOCADEMY ALLEGAN CAMPUS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2026

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Academy does not utilize encumbrance accounting.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The budget is submitted to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

b. Prior to July 1, the budget is legally adopted by a Board of Directors resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the budgetary comparison schedule.

c. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

d. The final budget was approved prior to June 30, 2026.

INNOCADEMY ALLEGAN CAMPUS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2026

NOTE 2 - BUDGETARY COMPARISON

Significant Variances Between Original and Final Budget

	Variance	Explanation
REVENUES		
State sources	$ (38,514)	State revenue decreased primarily due to lower Section 22b foundation funding, partially offset by increased At-Risk funding and new/carryover state grant funding, including Section 27l Educator Compensation and Section 23g.
Federal sources	46,788	Federal revenue increased primarily due to E-Rate, Filter First funding, and increased Title I allocations that were not fully included in the initial budget.
EXPENDITURES		
Instruction - Added needs	(39,156)	Added Needs increased primarily due to additional At-Risk and Title I instructional support, including teacher costs, benefits, and At-Risk instructional supplies. These increases were partially offset by lower At-Risk paraprofessional costs.
Support services - Central	(40,614)	Central Support increased primarily due to the Section 27l Educator Compensation Program and E-Rate-funded internet and technology equipment, along with higher HR staffing and benefit costs.

Significant Variances Between Final Budget and Actual

There were no significant variances between final budget and actual results for the year ended June 30, 2026.

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

INDEPENDENT AUDITOR'S 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
Innocademy Allegan Campus

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Innocademy Allegan Campus, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Innocademy Allegan Campus's basic financial statements, and have issued our report thereon dated October 5, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Innocademy Allegan Campus'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 Innocademy Allegan Campus's internal control. Accordingly, we do not express an opinion on the effectiveness of Innocademy Allegan Campus's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Maner Costerisan PC

Lansing, Michigan
October 5, 2026

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

October 5, 2026

To the Board of Directors of
Innocademy Allegan Campus

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Innocademy Allegan Campus for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information orally during our discussion on June 22, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Innocademy Allegan Campus are described in Note 1 to the financial statements. As described in Note 10 to the financial statements, the Academy adopted Governmental Accounting Standards Board (GASB) Statements No. 103, *Financial Reporting Model Improvements* and No. 104, *Disclosure of Certain Capital Assets* during the year ended June 30, 2026. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's calculation of the depreciation expense is based on the estimated useful lives of the capital assets.

Management's estimate of the discount rate used for leases and subscription-based IT arrangements, the terms and payments are based on the Innocademy Allegan Campus incremental borrowing rate and consideration of the noncancelable period of the lease options.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Maner Costerisan PC

Lansing, Michigan