MERRITT ACADEMY

REPORT ON FINANCIAL STATEMENTS
(with required and additional supplementary information)

YEAR ENDED JUNE 30, 2026

Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Merritt Academy

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merritt Academy, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Merritt Academy'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, each major fund, and the aggregate remaining fund information of Merritt Academy, 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 Merritt 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 Merritt Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Merritt 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 Merritt 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 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2026 on our consideration of Merritt Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Merritt 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 Merritt Academy's internal control over financial reporting and compliance.

Maner Costerisan PC

Lansing, Michigan
October 26, 2026

MERRITT ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of management's discussion and analysis (MD&A) is to help Merritt Academy'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's management office, The Romine Group, at 7877 Stead Street, Utica, Michigan 48317, (586) 731-5300.

OVERVIEW OF THE FINANCIAL STATEMENTS

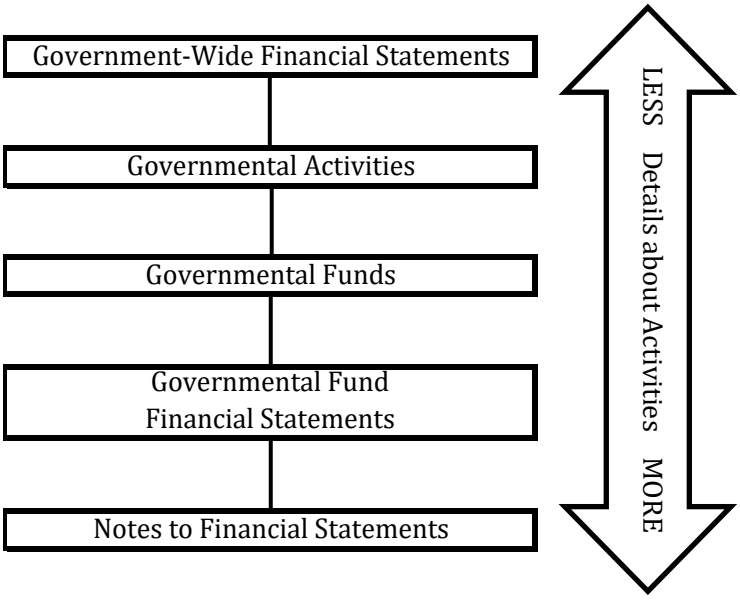
The Academy's financial report contains basic financial statements. Those financial statements present the Academy's finances at both an overall and a detailed level. The first two - the *government-wide financial statements* - cover the Academy's governmental activities. (See the diagram in Figure A-1.)

- *Governmental Activities* comprise the Academy's most basic functions, such as instruction, support services, and food services. Governmental activities primarily are financed by state aid foundation 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 a special revenue fund that tracks the use of restricted funding sources, a debt service fund to record the repayment of outstanding bonds, and a capital projects fund to account for resources used to acquire or construct long-lived assets.

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 basis 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
Merritt Academy's Net Position

	2026	2025*	Dollar Change	Total Percentage Change
Assets				
Current assets	$ 3,911,827	$ 3,616,658	$ 295,169	8.2%
Capital assets	4,796,335	4,944,928	(148,593)	-3.0%
Total assets	8,708,162	8,561,586	146,576	1.7%
Liabilities				
Current liabilities	1,873,044	1,920,874	(47,830)	-2.5%
Noncurrent liabilities	5,782,034	6,066,534	(284,500)	-4.7%
Total liabilities	7,655,078	7,987,408	(332,330)	-4.2%
Net position				
Net investment in capital assets	(846,595)	(843,412)	(3,183)	-0.4%
Restricted for debt service	726,037	676,781	49,256	7.3%
Restricted for food service	110,306	105,808	4,498	4.3%
Unrestricted	1,063,336	635,001	428,335	67.5%
Total net position	$ 1,053,084	$ 574,178	$ 478,906	83.4%

*Certain amounts in the prior year figures have been reclassified.

Table A-1 shows that as of June 30, 2026, the Academy's total net position - assets minus liabilities - was $1,053,084, an increase of $478,906 or 83.4% compared with 2025. This increase is primarily due to a $428,335 or 67.5% 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. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

1. Increases in grant revenues, particularly related to categorical state funding.
2. Decrease in state sources revenue due to decreases in student enrollment.
3. Decrease in expenses for certain programs and functions.

Table A-2
Changes in Merritt Academy's Net Position

	2026	2025*	Dollar Change	Total Percentage Change
Revenues				
Program revenues				
Charges for services	$ 100,362	$ 101,540	$ (1,178)	-1.2%
Operating grants and contributions	2,256,761	2,129,457	127,304	6.0%
General revenues				
Investment earnings	51,351	38,122	13,229	34.7%
State sources - unrestricted	6,019,720	6,082,377	(62,657)	-1.0%
ISD sources	459,149	500,956	(41,807)	-8.3%
Other	106,407	211,105	(104,698)	-49.6%
Total revenues	8,993,750	9,063,557	(69,807)	-0.8%
Expenses				
Instruction	4,096,772	4,296,804	(200,032)	-4.7%
Support services	3,348,603	3,325,871	22,732	0.7%
Community services	47,021	37,787	9,234	24.4%
Food service	389,595	303,541	86,054	28.4%
Interest and fees	302,263	315,065	(12,802)	-4.1%
Depreciation/amortization (unallocated)	330,590	372,766	(42,176)	-11.3%
Total expenses	8,514,844	8,651,834	(136,990)	-1.6%
Change in net position	478,906	411,723	$ 67,183	16.3%
Net position - beginning of year	574,178	162,455		253.4%
Net position - end of year	$ 1,053,084	$ 574,178		83.4%

*Certain amounts in the prior year figures have been reclassified.

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. Most of the increase is attributed to an increase in allocation of state categorical funding, mainly for 27l(2) Educator Compensation Program and 31aa Mental Health Grant.

Decline in State Sources

State sources declined in the current year compared to the prior year, which accounts for 66.9% of overall revenues. State sources is a product of student counts multiplied by the foundation allowance. The foundation allowance increased by $442 per pupil in 2026, however this was offset by a student enrollment decrease of approximately 18 students and due to the removal of the Section 22e charter school per pupil payment in 2026. The drop in the student count and removal of Section 22e more than offset the increase in the foundation allowance.

Decline in Expenses

Total expenses for the Academy declined by 1.6% overall. This is due to a reduction in staffing costs driven by the reduction in student enrollment.

GOVERNMENTAL FUNDS

The Academy reports two major funds individually in the governmental fund financial statements. These funds are the general fund and the debt service fund. Most of the discussion regarding governmental activities is equally applicable to the finances of these governmental funds. 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		Debt Service Fund	
	2026	2025	2026	2025
REVENUES	$ 8,547,106	$ 8,678,496	$ 26,409	$ 28,892
EXPENDITURES	7,816,475	8,072,556	474,963	473,213
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	730,631	605,940	(448,554)	(444,321)
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	26,142	-	-	-
Proceeds from lease	29,060	-	-	-
Transfers in	-	-	496,588	524,302
Transfers out	(496,588)	(524,302)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(441,386)	(524,302)	496,588	524,302
NET CHANGE IN FUND BALANCE	289,245	81,638	48,034	79,981
Fund balance - beginning of year	913,180	831,542	701,642	621,661
Fund balance - end of year	$ 1,202,425	$ 913,180	$ 749,676	$ 701,642

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 31.7%. The increase in fund balance is attributable to an increase in grant revenues (previously discussed).

The overall fund balance at the end of June 30, 2026, represented approximately 15.4% of operating expenditures. The Academy aims to have a minimum fund balance of 10% of operating expenditures. Within fund balance, approximately 97.2% of the balance is considered unassigned. The remaining 2.8% is considered either nonspendable, restricted, committed, or assigned for other items and is not readily available for use.

Debt Service Fund

The fund balance for the debt service fund is considered to be 100% restricted. This means that the fund balance can only be used for the restricted purpose of that fund and is not readily available for use. Activity in the fund is associated with investment earnings and payments on long-term obligations.

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 3.0% compared to 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
Merritt Academy's Capital Assets

	2026			2025*	
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value	Total Percentage Change
Furniture and equipment	$ 594,155	$ 556,365	$ 37,790	$ 20,048	88.5%
Right-to-use - leased equipment	55,315	28,193	27,122	11,826	129.3%
Right-to-use - subscription-based IT	92,545	61,697	30,848	-	100.0%
Technology	856,540	801,684	54,856	80,247	-31.6%
Buildings and improvements	8,238,601	3,592,882	4,645,719	4,832,807	-3.9%
Total	$ 9,837,156	$ 5,040,821	$ 4,796,335	$ 4,944,928	-3.0%

*Certain amounts in the prior year figures have been reclassified.

A significant reason for the decrease in the net capital assets relates to depreciation/amortization expense during the year outpacing the additions of capital assets during the year, resulting in a net decrease in capital assets. The Academy had additions of furniture and equipment of $23,750, right-to-use - leased equipment of $29,060, right-to-use - subscription-based IT of $92,545 and building and improvements of $36,642. The Academy had disposals of $40,498 for right-to-use - leased equipment and $288,486 for right-to-use - subscription-based IT.

Long-term Obligations

Overall, the carrying value of the Academy's long-term obligations decreased by 4.7% from the prior year. See Table A-5 for the carrying value of the Academy's long-term obligations.

Table A-5
Merritt Academy's
Outstanding Long-Term Obligations

	2026	2025	Total Percentage Change
General obligation bonds	$ 5,609,975	$ 5,776,529	-2.9%
Notes from direct borrowings and direct placements	32,970	11,826	178.8%
State aid adjustment	139,089	278,179	-50.0%
	$ 5,782,034	$ 6,066,534	-4.7%

During 2026 the Academy entered into a five-year lease agreement for a copier. This is the primary reason for the increase in notes from direct borrowings and direct placements. The overall decrease in long-term obligations is due to the Academy continuing to pay down long-term obligations related to the Academy's general obligation bonds, leases for copiers, and the state aid adjustment. The total amount of principal paid in the current year was $317,006. In addition, there was also $3,446 in amortization of the bond discount.

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 receive a $250 increase in 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 experience for students and staff retention.

- The Academy adopted a general fund budget for the 2026-27 school year in which revenues and other financing sources are expected to exceed expenditures and other financing uses by $42,468.

- The Academy focuses on maintaining staffing levels and expenditures in accordance with changes in student count.

- The Academy prioritizes effective use of available federal sources and state sources funding.

BASIC FINANCIAL STATEMENTS

MERRITT ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,244,048
Intergovernmental receivable	1,619,287
Prepaids	34,029
Restricted cash and cash equivalents	
Debt service	1,014,448
Capital projects	15
Capital assets, net of accumulated depreciation/amortization	4,796,335
TOTAL ASSETS	8,708,162
LIABILITIES	
Accounts payable	1,247,968
Unearned revenue	409,793
Accrued purchased services - payroll and related	22,507
Accrued expenses	169,137
Accrued interest	23,639
Noncurrent liabilities	
Due within one year	329,817
Due in more than one year	5,452,217
TOTAL LIABILITIES	7,655,078
NET POSITION	
Net investment in capital assets	(846,595)
Restricted for debt service	726,037
Restricted for food service	110,306
Unrestricted	1,063,336
TOTAL NET POSITION	$ 1,053,084

See accompanying notes to financial statements.

MERRITT ACADEMY
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	$ 4,096,772	$ -	$ 1,281,270	$ (2,815,502)
Support services	3,348,603	49,359	581,398	(2,717,846)
Community services	47,021	51,003	-	3,982
Food service	389,595	-	394,093	4,498
Interest and fees	302,263	-	-	(302,263)
Depreciation/amortization (unallocated)	330,590	-	-	(330,590)
Total governmental activities	$ 8,514,844	$ 100,362	$ 2,256,761	(6,157,721)
General revenues				
Investment earnings				51,351
State sources - unrestricted				6,019,720
ISD sources				459,149
Other				106,407
Total general revenues				6,636,627
CHANGE IN NET POSITION				478,906
NET POSITION, beginning of year				574,178
NET POSITION, end of year				$ 1,053,084

See accompanying notes to financial statements.

MERRITT ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,244,048	$ -	$ -	$ 1,244,048
Intergovernmental receivables	1,619,287	-	-	1,619,287
Due from other funds	-	-	110,306	110,306
Prepaids	34,029	-	-	34,029
Restricted cash and cash equivalents	264,772	749,676	15	1,014,463
TOTAL ASSETS	$ 3,162,136	$ 749,676	$ 110,321	$ 4,022,133
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 1,247,968	$ -	$ -	$ 1,247,968
Due to other funds	110,306	-	-	110,306
Unearned revenue	409,793	-	-	409,793
Accrued purchased services - payroll and related	22,507	-	-	22,507
Accrued expenditures	169,137	-	-	169,137
TOTAL LIABILITIES	1,959,711	-	-	1,959,711
FUND BALANCES				
Nonspendable				
Prepaids	34,029	-	-	34,029
Restricted				
Debt service	-	749,676	-	749,676
Food service	-	-	110,306	110,306
Capital projects	-	-	15	15
Unassigned	1,168,396	-	-	1,168,396
TOTAL FUND BALANCES	1,202,425	749,676	110,321	2,062,422
TOTAL LIABILITIES AND FUND BALANCES	$ 3,162,136	$ 749,676	$ 110,321	$ 4,022,133

See accompanying notes to financial statements.

MERRITT ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2026

Total governmental fund balances		$ 2,062,422
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	$ 9,837,156	
Accumulated depreciation/amortization is	(5,040,821)	
		4,796,335
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
General obligation bonds		(5,609,975)
Notes from direct borrowings and direct placements		(32,970)
State aid adjustment		(139,089)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid:		
Accrued interest		(23,639)
Net position of governmental activities		$ 1,053,084

See accompanying notes to financial statements.

MERRITT ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	$ 205,569	$ 26,409	$ -	$ 231,978
State sources	7,626,435	-	88,981	7,715,416
Federal sources	255,953	-	305,112	561,065
Incoming transfers and other	459,149	-	-	459,149
TOTAL REVENUES	8,547,106	26,409	394,093	8,967,608
EXPENDITURES				
Current				
Instruction				
Basic programs	3,409,239	-	-	3,409,239
Added needs	780,078	-	-	780,078
Total instruction	4,189,317	-	-	4,189,317
Support services				
Pupil	298,765	-	-	298,765
Instructional staff	63,859	-	-	63,859
General administration	911,904	-	-	911,904
School administration	756,455	-	-	756,455
Business services	56,318	2,375	-	58,693
Operation and maintenance	957,229	-	-	957,229
Pupil transportation	152,807	-	-	152,807
Other support services	192,820	-	-	192,820
Total support services	3,390,157	2,375	-	3,392,532
Community services	47,021	-	-	47,021
Food service	-	-	389,595	389,595
Capital outlay	42,077	-	-	42,077
Debt service				
Principal repayment	147,006	170,000	-	317,006
Interest	897	302,588	-	303,485
Total debt service	147,903	472,588	-	620,491
TOTAL EXPENDITURES	7,816,475	474,963	389,595	8,681,033
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	730,631	(448,554)	4,498	286,575
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	26,142	-	-	26,142
Proceeds from lease	29,060	-	-	29,060
Transfers in	-	496,588	-	496,588
Transfers out	(496,588)	-	-	(496,588)
TOTAL OTHER FINANCING SOURCES (USES)	(441,386)	496,588	-	55,202
NET CHANGE IN FUND BALANCES	289,245	48,034	4,498	341,777
FUND BALANCES				
Beginning of year	913,180	701,642	105,823	1,720,645
End of year	$ 1,202,425	$ 749,676	$ 110,321	$ 2,062,422

See accompanying notes to financial statements.

MERRITT ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Net change in fund balances total governmental funds	$	341,777
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		181,997
Depreciation/amortization expense		(330,590)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:		
Accrued interest payable, beginning of the year		24,861
Accrued interest payable, end of the year		(23,639)
Proceeds and repayments of principal on long-term obligations 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). Also, governmental funds report the effects of premiums, discounts, and similar items when obligations are first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term obligations and related items and are as follows:		
Proceeds from lease		(29,060)
Amortization of bond discount		(3,446)
Principal repayment		317,006
Change in net position of governmental activities	$	478,906

See accompanying 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 of the nonfiduciary activities of the Academy. The Academy currently does not have fiduciary activities. *Governmental activities* normally are supported by intergovernmental revenues.

Reporting Entity

The Merritt Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Saginaw Valley State University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2032. The Academy's Board of Directors is approved by the authorizing body and has decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal 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 the accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in 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.

As a general rule, the effect of interfund activity 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 fund 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 Funds*:

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 *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The Academy reports the following *Nonmajor Governmental Funds*:

The *Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital projects.

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 food service activity in a special revenue fund.

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. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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 public school academies based on information supplied by the Academies. For the current year ended, the foundation allowance was based on pupil membership counts.

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, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Prepaid Items

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, as summarized below, 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 a useful life in excess of one year. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets (continued)

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.

Land and construction in progress, if any, are not depreciated/amortized. 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/amortized using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Years
Furniture and equipment	5 - 15
Right-to-use - leased equipment	5
Right-to-use - subscription-based IT	1 - 2
Technology	3 - 10
Buildings and improvements	5 - 40

Deferred Outflows

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.

Deferred Inflows

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors' delegates authority. 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 noncancelable leases of equipment. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases (continued)

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.

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)

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS

As of June 30, 2026 the Academy had deposits subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2026, the Academy's cash and cash equivalents contain total deposits of $1,273,636 at June 30, 2026, of which $1,023,636 was exposed to custodial credit risk because it was uninsured and uncollateralized. Restricted cash and cash equivalents contain total deposits of $1,014,463 at June 30, 2026, of which, $764,463 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $2,258,511. The following summarizes the categorization of these amounts as of June 30, 2026:

	Primary Government
Cash and cash equivalents	$ 1,244,048
Restricted cash and cash equivalents - debt service	1,014,448
Restricted cash and cash equivalents - capital projects	15
	$ 2,258,511

Certain money market funds are restricted under the terms of the Series 2018 revenue bond agreement primarily for debt service, operating reserves, capital projects, and maintenance and repair of the related facilities.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2026 consist of the following:

	Government-wide
State sources	$ 1,250,226
Federal sources	223,876
Payments from ISD and other	145,185
	$ 1,619,287

Because of the Academy's favorable collection experience, no allowance for doubtful accounts has been recorded.

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				
Capital assets, being depreciated/amortized				
Furniture and equipment	$ 570,405	$ 23,750	$ -	$ 594,155
Right-to-use - leased equipment	66,753	29,060	40,498	55,315
Right-to-use - subscription-based IT	288,486	92,545	288,486	92,545
Technology	856,540	-	-	856,540
Buildings and improvements	8,201,959	36,642	-	8,238,601
	9,984,143	181,997	328,984	9,837,156
Accumulated depreciation/amortization				
Furniture and equipment	550,357	6,008	-	556,365
Right-to-use - leased equipment	54,927	13,764	40,498	28,193
Right-to-use - subscription-based IT	288,486	61,697	288,486	61,697
Technology	776,293	25,391	-	801,684
Buildings and improvements	3,369,152	223,730	-	3,592,882
	5,039,215	330,590	328,984	5,040,821
Net governmental capital assets	$ 4,944,928	$ (148,593)	$ -	$ 4,796,335

Depreciation/amortization expense for the fiscal year ended June 30, 2026 amounted to $330,590. 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.

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	State Aid Adjustment	Total
Balance, July 1, 2025	$ 5,776,529	$ 11,826	$ 278,179	$ 6,066,534
Additions	-	29,060	-	29,060
Deletions	(166,554)	(7,916)	(139,090)	(313,560)
Balance, June 30, 2026	5,609,975	32,970	139,089	5,782,034
Due within one year	180,000	10,728	139,089	329,817
Due in more than one year	$ 5,429,975	$ 22,242	$ -	$ 5,452,217

Long-term obligations at June 30, 2026 consist of the following:

General Obligation Bond

Series 2018 revenue bonds payable with variable semi-annual installments with interest ranging from 5% to 5.375% through December 2043. The bond is secured by the related property.	$ 5,670,000
Discount on bonds	(60,025)
Total general obligation bonds	5,609,975

Notes from Direct Borrowings and Direct Placements

During the 2023 fiscal year, the Academy entered into a five-year lease agreement as lessee for the use of a copier. The Academy is required to make monthly principal and interest payments of $471. The lease has an interest rate of 3%.	5,557
During the 2026 fiscal year, the Academy entered into a five-year lease agreement as lessee for the use of a copier. The Academy is required to make monthly principal and interest payments of $572. The lease has an interest rate of 6.75%.	27,413
Total notes from direct borrowings and direct placements	32,970
During the 2023 fiscal year, the Academy incurred a deferred adjustment (State Aid Adjustment) payable through monthly state aid payment reductions through October 2026 comprising of $139,089 per fiscal year.	139,089
Total general long-term obligations	$ 5,782,034

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The Academy's outstanding Series 2018 Bonds are collateralized by substantially all assets of the Academy including mortgage on the real property and subordination of management fees. The bonds are subject to financial covenants measured annually beginning with the fiscal year ending June 30, 2019. As of June 30, 2026, the Academy is in accordance with all debt covenants.

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of $32,970 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 as of June 30, 2026, including interest of $3,319,697, are as follows:

Year Ending	General Obligation Bond		Notes from Direct Borrowings and Direct Placements		State Aid Adjustment	
June 30,	Principal	Interest	Principal	Interest	Principal	Total
2027	$ 180,000	$ 293,838	$ 10,728	$ 1,783	$ 139,089	$ 625,438
2028	190,000	284,588	5,532	1,332	-	481,452
2029	200,000	274,838	5,917	947	-	481,702
2030	210,000	264,456	6,329	535	-	481,320
2031	220,000	253,437	4,464	112	-	478,013
2032 - 2036	1,285,000	1,081,278	-	-	-	2,366,278
2037 - 2041	1,665,000	695,391	-	-	-	2,360,391
2042 - 2044	1,720,000	167,162	-	-	-	1,887,162
	5,670,000	3,314,988	32,970	4,709	139,089	9,161,756
Discount on bonds	(60,025)	-	-	-	-	(60,025)
	$ 5,609,975	$ 3,314,988	$ 32,970	$ 4,709	$ 139,089	$ 9,101,731

Interest expense (all funds) for the fiscal year ended June 30, 2026 was $303,485.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2026 are as follows:

Receivable Fund		Payable Fund	
Nonmajor governmental funds	$ 110,306	General fund	$ 110,306

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 7 - TRANSFERS

Transfers between the governmental funds were as follows:

Transfers Out		Transfers In	
General fund	$ 496,588	Debt service fund	$ 496,588

The transfers from the general fund to the debt service fund were to pay for principal and interest payments on long-term obligations.

NOTE 8 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to Saginaw Valley State University, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2026 the Academy incurred expenses of approximately $175,000 for oversight fees.

NOTE 9 - MANAGEMENT AGREEMENT

The Academy currently has a management agreement with The Romine Group for operations of the Academy through June 2032. Under the terms of the management agreement, The Romine Group's compensation for operating the Academy was approximately $667,000 for the fiscal year 2026.

NOTE 10 - PURCHASED SERVICES

The Academy leases all employee services from The Romine Group. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of The Romine Group.

NOTE 11 - 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 12 - 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. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

NOTE 13 - 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 14 - 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

MERRITT ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
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	$ 82,000	$ 236,190	$ 154,190	$ 205,569	$ (30,621)
State sources	7,488,246	7,947,415	459,169	7,626,435	(320,980)
Federal sources	185,200	244,913	59,713	255,953	11,040
Incoming transfers and other	503,931	514,210	10,279	459,149	(55,061)
TOTAL REVENUES	8,259,377	8,942,728	683,351	8,547,106	(395,622)
EXPENDITURES					
Current					
Instruction					
Basic programs	3,802,108	3,637,926	164,182	3,409,239	228,687
Added needs	1,007,930	802,655	205,275	780,078	22,577
Total instruction	4,810,038	4,440,581	369,457	4,189,317	251,264
Support services					
Pupil	91,450	308,227	(216,777)	298,765	9,462
Instructional staff	23,500	72,027	(48,527)	63,859	8,168
General administration	874,670	950,985	(76,315)	911,904	39,081
School administration	750,120	815,843	(65,723)	756,455	59,388
Business services	42,400	60,700	(18,300)	56,318	4,382
Operation and maintenance	802,160	1,197,249	(395,089)	957,229	240,020
Pupil transportation	165,000	155,000	10,000	152,807	2,193
Central support services	-	6,000	(6,000)	-	6,000
Other support services	145,127	202,590	(57,463)	192,820	9,770
Total support services	2,894,427	3,768,621	(874,194)	3,390,157	378,464
Community services	37,020	49,000	(11,980)	47,021	1,979
Capital outlay	-	11,307	(11,307)	42,077	(30,770)
Debt service					
Principal	-	147,007	(147,007)	147,006	1
Interest	-	897	(897)	897	-
Total debt service	-	147,904	(147,904)	147,903	1
TOTAL EXPENDITURES	7,741,485	8,417,413	(675,928)	7,816,475	600,938
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	517,892	525,315	7,423	730,631	205,316
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	-	-	-	26,142	26,142
Proceeds from lease	-	-	-	29,060	29,060
Transfers out	(463,000)	(525,000)	(62,000)	(496,588)	28,412
TOTAL OTHER FINANCING SOURCES (USES)	(463,000)	(525,000)	(62,000)	(441,386)	83,614
NET CHANGE IN FUND BALANCE	54,892	315	(54,577)	289,245	288,930
FUND BALANCE					
Beginning of year	913,180	913,180	-	913,180	-
End of year	$ 968,072	$ 913,495	$ (54,577)	$ 1,202,425	$ 288,930

MERRITT ACADEMY
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 and special revenue 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 Chief Administrative Officer submits 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 Board 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 year-end.

NOTE 2 - BUDGETARY COMPARISON

Significant Variances Between Original and Final Budget

	Variance	Explanation
REVENUES		
Local sources	$ 154,190	The final budget included budgeting for additional grants received after initial budget adoption such as from Saginaw Valley State University.
State sources	459,169	Original budget utilized conservative categorical state revenues due to uncertainty with State education budget at time of initial budget adoption. Final budget was prepared knowing the state categorical funding allocations.
EXPENDITURES		
Instruction - Basic programs	164,182	Since the original budget, items were reclassified on the final budget to other functions mainly across support services.
Instruction - Added needs	205,275	Since the original budget, items were reclassified on the final budget to other functions mainly across support services.
Support services - Pupil	(216,777)	The final budget was prepared knowing the increased allocation of state categorical funding to be recognized in this category leading to the increase from original budget.
Support services - Operation and maintenance	(395,089)	The final budget was prepared knowing the increased allocation of state categorical funding to be recognized in this category leading to the increase from original budget.
Debt service - Principal	(147,007)	Transactions were reclassified from other functions from the original budget to final budget to present the principal payments on long-term obligations.

Significant Variances Between Final Budget and Actual

	Variance	Explanation
REVENUES		
State sources	$ (320,980)	Actual spending of state categorical funding was less than expected as not all planned projects were completed prior to year-end leading to unearned revenue items.
EXPENDITURES		
Instruction - Basic programs	228,687	Actual spending of state categorical funding was less than expected leading to certain projects not being able to be scheduled or completed prior to year-end.
Support services - Operation and maintenance	240,020	Not all budgeted building maintenance projects in the final budget were able to be scheduled or completed prior to year-end.

ADDITIONAL SUPPLEMENTARY INFORMATION

MERRITT ACADEMY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2026

	Capital Projects Fund	Special Revenue Fund (Food Service)	Total Nonmajor Governmental Funds
ASSETS			
Restricted cash and cash equivalents	$ 15	$ -	$ 15
Due from other funds	-	110,306	110,306
TOTAL ASSETS	$ 15	$ 110,306	$ 110,321
FUND BALANCES			
Restricted			
Food service	$ -	$ 110,306	$ 110,306
Capital projects	15	-	15
TOTAL FUND BALANCES	$ 15	$ 110,306	$ 110,321

MERRITT ACADEMY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2026

	Capital Projects Fund	Special Revenue Fund (Food Service)	Total Nonmajor Governmental Funds
REVENUES			
State sources	$ -	$ 88,981	$ 88,981
Federal sources	-	305,112	305,112
TOTAL REVENUES	-	394,093	394,093
EXPENDITURES			
Food service	-	389,595	389,595
NET CHANGE IN FUND BALANCES	-	4,498	4,498
FUND BALANCES			
Beginning of year	15	105,808	105,823
End of year	$ 15	$ 110,306	$ 110,321

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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 of
Merritt Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merritt Academy, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Merritt Academy's basic financial statements, and have issued our report thereon dated October 26, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Maner Costerisan PC

Lansing, Michigan
October 26, 2026