



**LIGHTHOUSE
ACADEMY**

GRAND RAPIDS, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2026



Vredeveld Haefner LLC
CPAs and Consultants

LIGHTHOUSE ACADEMY

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INDEPENDENT AUDITORS' REPORT

October 2, 2026

Board of Directors
Lighthouse Academy
Grand Rapids, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Lighthouse Academy (the Academy) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements 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 and the major fund of the 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 the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and budgetary comparison information on pages 23 and 24 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 2, 2026, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Uradexeld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Lighthouse Academy (the Academy), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2026. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

Key metrics and financial highlights of the Academy for the year ended June 30, 2026 are as follows:

Total net position	\$6,098,990
Unrestricted net position	5,466,984
Change in net position	1,392,700
Fund balance, general fund	5,466,984
Change in fund balance, general fund	1,053,141
Fund balance, general fund (as a percentage of general fund expenditures)	58.0%
Unassigned fund balance, general fund (as a percentage of general fund expenditures)	51.4%

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Academy's financial statements. The Academy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Academy's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., payments on debt).

Both of the government-wide financial statements display functions of the Academy that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Academy include instruction, support services, and unallocated depreciation. The Academy does not have any business-type activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Academy maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information includes this management discussion and analysis, and a schedule of General fund budget to actual information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets exceeded liabilities by \$6,098,990 at the close of the most recent fiscal year.

A portion of the Academy's net position reflects amounts invested in capital assets (e.g., furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The Academy uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

Net Position		
	Governmental Activities	
	<u>2026</u>	<u>2025</u>
Assets		
Current assets	\$6,987,829	\$5,681,539
Right of use asset	1,680,925	1,358,379
Capital assets	632,006	292,447
Total assets	<u>9,300,760</u>	<u>7,332,365</u>
Liabilities		
Current liabilities	1,603,824	1,353,073
Noncurrent liabilities	1,597,946	1,273,002
Total liabilities	<u>3,201,770</u>	<u>2,626,075</u>
Net position		
Net investment in capital assets	632,006	292,447
Unrestricted	5,466,984	4,413,843
Total net position	<u>\$6,098,990</u>	<u>\$4,706,290</u>

Net position of the Academy increased by \$1,392,700 during the year. The significant changes are as follows:

- While the total student FTE in 2025-26 of approximately 545 students was lower than the 566 students in the prior year, the Academy was able to proactively adjust its' educational staffing levels to align with the reduced number of students.
- Act 18 funds received from the Kent ISD more than doubled in 2025-26 to \$450,015.
- During the current fiscal year, the Academy was able to successfully hire more of its own support services staff and reduce the cost paid for third party consultants.

Activities		
	Governmental Activities	
	<u>2026</u>	<u>2025</u>
Revenue		
Program revenue		
Operating grants and contributions	\$3,624,964	\$3,466,291
General revenue		
Unrestricted school aid	5,879,275	6,398,606
Unrestricted donations	58,833	248,040
Unrestricted interest	114,930	62,502
Total revenue	9,678,002	10,175,439
Expenses		
Instruction	3,936,641	4,109,112
Support services	4,289,141	4,522,793
Unallocated depreciation	59,520	59,544
Total expenses	8,285,302	8,691,449
Increase (decrease) in net position	1,392,700	1,483,990
Net position - beginning of year	4,706,290	3,222,300
Net position - end of year	\$6,098,990	\$4,706,290

Governmental Activities

During the year the Academy expended 47% of its total expenses on instruction and 52% on support services such as guidance service, transportation, building operation and maintenance, and administration. The remaining 1% of expenses was depreciation.

Financial Analysis of the Academy's General Fund

As noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Academy maintains one governmental fund – the general fund.

Governmental funds. The focus of the Academy's governmental fund is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Academy's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Academy's general fund reported ending fund balance of \$5,466,984, an increase of \$1,053,141 in comparison with the prior year as compared to the final budgeted change in fund balance of (\$794,765).

Significant changes in the fund balance of the general fund were as follows:

- The final budget anticipated a lower number of students being counted in the final months of the school year for Section 23a funding.
- The Academy's final 2025-26 budget anticipated that the construction costs on the two new locations would be higher through June 30th. Due to delays in construction, the amounts incurred were lower than budgeted.

Unassigned fund balance of the General fund was \$4,846,851. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 51% of total General fund expenditures.

Capital Asset and Debt Administration

Capital assets. The Academy's investment in capital assets for its governmental activities as of June 30, 2026, amounted to \$632,006 (net of accumulated depreciation).

Significant capital asset additions this fiscal year included:

- During the current fiscal year, the Academy invested \$53,325 in student chrome books.
- Through June 30, 2026, the Academy invested \$141,221 and \$193,080 in the buildout of its new locations in Cedar Springs, MI and Hastings, MI, respectively. The new locations will open for the 2026-27 school year.

The Academy's capital assets (net of depreciation) are summarized as follows:

	Governmental Activities
Construction in progress	\$299,588
Computers	96,402
Furniture and fixtures	22,509
Machinery and equipment	213,507
Total	\$632,006

Additional information on the Academy's capital assets can be found in Note 4 of this report.

Debt. The academy entered into two new leases for new locations during the year. The Academy also modified a lease by reducing the amount of space that they were leasing and subsequently extended the modified lease by two years.

See information about the Academy's leases at Note 5.

Currently Known Facts, Decisions, and Conditions

- The Academy receives a significant percentage of its revenues from State funding. Based on the 2026-27 State School Aid budget, the Academy does not anticipate any significant changes in its revenue base from the State.
- The Academy will open its two new locations in Cedar Springs and Hastings, MI in the 2026-27 school year. There is approximately \$325,000 and \$100,000 of additional building cost to be incurred on each location, respectively. These amounts will be funded by the Academy's fund balance.

Requests for Information

This financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Integrity Educational Services, Executive Director of the Business Office, 3300 36th Street, Grand Rapids, Michigan, 49512.

BASIC FINANCIAL STATEMENTS

LIGHTHOUSE ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,952,010
Accounts receivable	20,952
Due from other governmental units	1,940,099
Security deposit	20,935
Prepaid items	53,833
Lease - right of use	1,680,925
Capital assets, net	
Construction in progress	299,588
Furniture and equipment	<u>332,418</u>
Total assets	<u>9,300,760</u>
Liabilities	
Accounts payable	424,364
Accrued liabilities	146,397
Due to other governmental units	34,614
Unearned revenue	915,470
Lease liability due in one year	82,979
Noncurrent liabilities	
Lease liability	<u>1,597,946</u>
Total liabilities	<u>3,201,770</u>
Net position	
Net investment in capital assets	632,006
Unrestricted net position	<u>5,466,984</u>
Total net position	<u>\$ 6,098,990</u>

The accompanying notes are an integral part of these financial statements.

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LIGHTHOUSE ACADEMY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2026

<u>Functions/ Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Primary government			
Governmental activities			
Instruction	\$ 3,936,641	\$ 3,157,578	\$ (779,063)
Support services	4,289,141	467,386	(3,821,755)
Depreciation - unallocated	<u>59,520</u>	<u>-</u>	<u>(59,520)</u>
Total governmental activities	<u>\$ 8,285,302</u>	<u>\$ 3,624,964</u>	<u>(4,660,338)</u>
General revenues			
Unrestricted school aid			5,879,275
Unrestricted donations			58,833
Interest earnings			<u>114,930</u>
Total general revenues			<u>6,053,038</u>
Change in net position			1,392,700
Net position, beginning of year			<u>4,706,290</u>
Net position, end of year			<u>\$ 6,098,990</u>

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE ACADEMY

GENERAL FUND BALANCE SHEET

JUNE 30, 2026

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 4,952,010
Accounts receivable	20,952
Due from other governmental units	1,940,099
Security deposits	20,935
Prepaid items	<u>53,833</u>
Total assets	<u>\$ 6,987,829</u>
Liabilities and fund balances	
Liabilities	
Accounts payable	\$ 424,364
Due to other governmental units	34,614
Accrued liabilities	146,397
Unearned revenue	<u>915,470</u>
Total liabilities	<u>1,520,845</u>
Fund balances	
Non-spendable	
Prepaid items	53,833
Assigned	
Subsequent year expenditures	566,300
Unassigned	<u>4,846,851</u>
Total fund balances	<u>5,466,984</u>
Total liabilities and fund balances	<u>\$ 6,987,829</u>

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE ACADEMY

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR THE GENERAL FUND TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2026

Fund balance - total general fund	\$ 5,466,984
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Amounts reported for *governmental activities* in the statement of net position are different because

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Add - capital assets, net	632,006
Add - right of use asset	1,680,925

Certain liabilities and related deferred inflows and deferred outflows are not due and payable in the current period and therefore are not reported in the funds.

Deduct - lease payable	<u>(1,680,925)</u>
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Net position of governmental activities	<u>\$ 6,098,990</u>
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The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE ACADEMY

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2026

	<u>General</u>
Revenues	
Local sources	\$ 173,763
State sources	7,489,392
Federal sources	1,470,023
Interdistrict sources	<u>544,824</u>
Total revenues	<u>9,678,002</u>
Expenditures	
Current	
Instruction	4,014,956
Support services	4,157,922
Community services	2,114
Capital outlay	1,108,692
Debt service	
Principal	55,864
Interest and fees	<u>94,417</u>
Total expenditures	<u>9,433,965</u>
Revenues over (under) expenditures	244,037
Other financing sources (uses)	
Issuance of long-term lease	<u>809,104</u>
Net change in fund balances	1,053,141
Fund balances, beginning of year	<u>4,413,843</u>
Fund balances, end of year	<u><u>\$ 5,466,984</u></u>

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GENERAL FUND TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2026

Net changes in fund balance - general fund	\$ 1,053,141
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	399,079
Deduct - depreciation expense	(59,520)
Add - right of use leased assets	809,104

Long-term debt proceeds provide current financial resources to governmental funds in the period issued, but issuing long-term debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Deduct - long-term lease issued	(809,104)
Add - principal payments on lease liability	55,864

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - amortization of right of use leased assets	<u>(55,864)</u>
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Change in net position of governmental activities	\$ <u>1,392,700</u>
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The accompanying notes are an integral part of these financial statements.

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LIGHTHOUSE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2026

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lighthouse Academy (the Academy) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

The Academy was formed as a charter school pursuant to the Michigan School Code. The Academy's authorizer is Ferris State University (the Authorizer). The Authorizer provides certain contractual services to the Academy including the approval of the Academy's operating plan, monitoring compliance with provisions of the charter contract and selection of members for the Board of Directors. The Authorizer is paid 3% of state-aid payments received by the Academy for such services. The Academy provides education and related services to approximately 550 students in grades Kindergarten through 12th. The Academy is governed by a seven-member Board of Directors. The Academy is administered by Integrity Educational Services (IES) with whom the Board of Directors entered into a services agreement that requires IES to provide management and operational services to the Academy.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Lighthouse Academy. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Academy.

Government-wide and Fund 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 primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by intergovernmental revenues are reported in total. The Academy has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Major 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 general operating fund of the Academy. It is used to account for all financial resources, except those required to be accounted for in another fund.

LIGHTHOUSE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2026

Measurement Focus and Basis of Accounting

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.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which is recognized when due.

All governmental funds are accounted for on a spending or “flow of current financial resources” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available, spendable resources”.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available, spendable resources” during a period.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the General fund. The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The contracted Executive Director of the Business Office establishes a proposed operating budget for the fiscal year commencing the following July 1 and submits the budget to the Board of Directors.
2. Public hearings are conducted to obtain comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General fund.
5. The budget for the General fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

LIGHTHOUSE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2026

6. Adoption and amendments of all budgets used by the Academy are governed by Michigan Law. The appropriation ordinances are based on the projected expenditures budget of the various activities of the Academy. Any amendment to the original budget must meet the requirements of Michigan Law. Any revisions that alter the total expenditures of any activity must be approved by the Board of Directors. The Academy did amend its budget for the current fiscal year.

Cash and Investments

Michigan law and Academy policy authorizes the Academy to invest in:

- a. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States, or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States or federal agency obligation repurchase agreements, and bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds that are composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Receivables

The Academy follows the practice of recording revenues that have been earned but not yet received as receivables.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both 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 property and equipment, are reported in the governmental activities column in the government-wide financial statements.

LIGHTHOUSE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2026

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

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

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furniture and equipment	3-10

Accrued Compensation

A liability is recorded at June 30 for amounts owed to the Academy's contracted staffing company, for those amounts owed by the staffing company to teachers and other staff members who do not work during the summer but are contracted to have their salaries paid over a twelve-month period. This has the effect of properly charging these contracted staffing costs to expenditures in the fiscal year in which the services are received, even though they are not paid until July and August of the following fiscal year.

The Academy has also recorded accrued contracted staffing costs for amounts to be reimbursed to the staffing company after June 30, 2026, for the post-year-end cost to the staffing company of funding FICA, as well as retirement plan funding, related to the services of Academy staff during the school year and fiscal year ended June 30, 2026.

State Aid Revenue

The Academy reports State of Michigan school aid in the fiscal year in which the Academy is entitled to the revenue as provided by the State of Michigan School Aid Appropriation Act. State funding accounted for 77% of the General fund revenues for the year. A certain portion of State Aid received by the Academy is restricted to cover specified expenses of the Academy, including special education costs and retirement costs. The unrestricted portion is for use in the general operations of the Academy.

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Academy carries commercial insurance to cover various risks of loss and employee benefits. The Academy has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

LIGHTHOUSE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2026

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable – the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the Academy's governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by formal resolution of the Academy's governing board. The Board has not delegated authority for the ability to assign fund balance.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

The Academy's policy requires maintaining fund balance in the General fund of not less than 5% of the current year state aid payment. Actual fund balance of the General fund at year-end was 51.4% of the current year state source revenues.

Net Position and Fund Balance Flow Assumptions

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/fund balance and unrestricted – net position/fund balance, 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 use restricted resources first, then unrestricted resources as they are needed. 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.

Subsequent Events

In preparing these financial statements, management has evaluated significant events and transactions for potential recognition or disclosure subsequent to June 30, 2026 and through the auditors' report date, the date the financial statements were available to be issued.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

State law provides that the Academy shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Academy's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the activity level. The approved budgets of the Academy for these budgetary funds were adopted at the activity level.

During the year ended June 30, 2026, the Academy did not incur any expenditures in budgeted funds which were in excess of the amounts appropriated.

LIGHTHOUSE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2026

3. CASH AND CASH EQUIVALENTS

The balance on the financial statements for cash is \$4,952,010. These deposits are in financial institutions located in Michigan. The accounts are in the name of the Academy and are recorded in the Academy's records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned. State law does not require, and the Academy does not have, a policy for deposit custodial credit risk. As of year-end, \$84,853 of the Academy's bank balance of \$4,969,917 was exposed to custodial credit risk because it was uninsured and uncollateralized.

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
Governmental activities				
Capital assets, not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	299,588	-	299,588
Total capital assets, not being depreciated	-	299,588	-	299,588
Capital assets, being depreciated				
Furniture and equipment	451,430	99,491	5,360	545,561
Leasehold improvements	186,483	-	-	186,483
Total capital assets, being depreciated	637,913	99,491	5,360	732,044
Less accumulated depreciation for				
Furniture and equipment	312,896	42,185	5,360	349,721
Leasehold improvements	32,570	17,335	-	49,905
Total accumulated depreciation	345,466	59,520	5,360	399,626
Net capital assets, being depreciated	292,447	39,971	-	332,418
Governmental activities capital assets, net	\$292,447	\$339,559	\$ -	\$632,006

Depreciation expense was not charged to specific activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

5. OPERATING LEASE

The Academy has entered into a lease agreement for the rental of a school building at the Lighthouse Academy Muskegon location for approximately \$10,600 per month. The lease is extended through 2036 and includes 3 extension options of 3 years each. Rent is payable monthly at an amount mutually agreed upon based on available funding and adjusted annually for CPI. Total rent expense under this lease agreement for the year ended June 30, 2026 was \$127,710.

The Academy has entered into a lease agreement for the rental of a school building at the Lighthouse Academy Barry location for approximately \$3,600 per month with a 2% annual increase. The lease is extended through 2038 and includes 2 extension options of 3 years each. Rent is payable monthly. Total rent expense under this lease agreement for the year ended June 30, 2026 was \$20,340.

LIGHTHOUSE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2026

The Academy has entered into a lease agreement for the rental of a school building at the Lighthouse Academy Cedar Springs location for approximately \$2,200 per month with a 2.5% annual increase. The lease is extended through 2038 and includes 2 extension options of 3 years each. Rent is payable monthly. Total rent expense under this lease agreement for the year ended June 30, 2026 was \$2,232.

The terms of the leases result in a lease payable of \$1,680,925 utilizing assumed CPI indexes ranging from 2.0% to 3.0% and interest rates ranging from 6.75% to 7.5%. The right to use asset and the related activity is included in Note 4. The lease liability activity is as follows:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026	Due Within One Year
Lease liability	\$1,358,379	\$809,104	\$486,558	\$1,680,925	\$82,979

The annual requirements to amortize the lease payable as of June 30, 2026 are as follows:

Year Ending June 30	Principal	Interest
2027	\$ 82,979	\$119,503
2028	94,934	113,047
2029	107,952	105,681
2030	122,119	97,324
2031	137,525	87,888
2032-2036	969,510	253,099
2037-2041	165,906	8,061
	\$1,680,925	\$784,603

6. RETIREMENT PLAN

All leased employees of the Academy are eligible to participate in a retirement plan established by Integrity Educational Services (IES). The Academy reimburses to IES a 50% match up to 6% of each employee's salary to a qualified 401(k) plan. Academy contributions for the year ended June 30, 2026 totaled \$104,712.

7. OUTSOURCED FOOD SERVICE ACTIVITY

The Academy has contracted with Hope Academy of West Michigan ("HAWM") to provide breakfast and lunch food services during the school year for its students. Under this agreement, HAWM is the direct recipient of most grants and charges for services and has discretionary control over the spending of the funds. As such, any activity is included in the HAWM financial statements and therefore has been excluded from this report.

8. COMMITMENTS

The Academy had construction contracts in place for the buildout of two new locations. The remaining commitment on these agreements is approximately \$425,000.

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REQUIRED SUPPLEMENTARY INFORMATION

LIGHTHOUSE ACADEMY

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2026

	Budget Amounts		Variance with Original Budget— over (under) Final Budget	Actual Amount	Variance with Final Budget— over (under) Actual Amounts
	<u>Original</u>	<u>Final</u>			
Revenues					
Local sources	\$ 75,000	\$ 150,953	\$ 75,953	\$ 173,763	\$ 22,810
State sources	6,215,345	6,955,772	740,427	7,489,392	533,620
Federal sources	2,817,315	1,340,601	(1,476,714)	1,470,023	129,422
Interdistrict sources	223,541	489,656	266,115	544,824	55,168
Total revenues	<u>9,331,201</u>	<u>8,936,982</u>	<u>(394,219)</u>	<u>9,678,002</u>	<u>741,020</u>
Expenditures					
Current					
Instruction					
Basic programs	2,651,610	2,869,922	218,312	2,688,484	(181,438)
Added needs	2,248,277	1,504,511	(743,766)	1,326,472	(178,039)
Support services					
Pupil service	1,672,915	1,892,402	219,487	1,720,200	(172,202)
Instructional staff	208,878	248,453	39,575	185,376	(63,077)
General administration	268,371	293,865	25,494	252,733	(41,132)
School administration	991,697	810,299	(181,398)	754,698	(55,601)
Business services	430,828	536,497	105,669	513,178	(23,319)
Operations and maintenance	421,457	456,475	35,018	433,249	(23,226)
Pupil transportation services	78,550	76,459	(2,091)	63,494	(12,965)
Central services	180,360	241,761	61,401	219,213	(22,548)
Other	19,380	20,108	728	15,781	(4,327)
Community services	44,085	5,614	(38,471)	2,114	(3,500)
Capital outlay	250,000	1,438,044	1,188,044	1,108,692	(329,352)
Debt service					
Principal	55,864	55,864	-	55,864	-
Interest	103,536	96,840	(6,696)	94,417	(2,423)
Total expenditures	<u>9,625,808</u>	<u>10,547,114</u>	<u>921,306</u>	<u>9,433,965</u>	<u>(1,113,149)</u>
Revenues over (under) expenditures	<u>(294,607)</u>	<u>(1,610,132)</u>	<u>(1,315,525)</u>	<u>244,037</u>	<u>1,854,169</u>
Other financing sources (uses)					
Issuance of long-term lease	250,000	815,367	565,367	809,104	(6,263)
Net changes in fund balance	(44,607)	(794,765)	(750,158)	1,053,141	1,847,906
Fund balance, beginning of year	<u>4,413,843</u>	<u>4,413,843</u>	<u>-</u>	<u>4,413,843</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,369,236</u>	<u>\$ 3,619,078</u>	<u>\$ (750,158)</u>	<u>\$ 5,466,984</u>	<u>\$ 1,847,906</u>

LIGHTHOUSE ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2026

Notes to Budgetary Comparison Schedules

The Board adopts an annual budget for the general fund following the GAAP basis of accounting. Unexpended appropriations lapse at year end.

	General Fund over (under)
<u>Budgetary Revenues</u>	
Differences - Original budget to final budget	
Local sources	\$ 75,953
Interest income was originally budgeted at \$50K and the final budget (\$114K) was increased to more accurately reflect the actual interest income earned during the year. We also increased the final budget for the competitive grant received from the authorizer.	
State sources	740,427
The final budget was higher due to an actual increase in Section 31a funds of approximately \$200k; the award of Section 271 funds of \$82K, the anticipated use of Section 31aa funds of \$55k. We also increased the anticipated receipt of Section 23a funds based on student FTE in the final budget.	
Federal sources	(1,476,714)
The original budget anticipated more fully spending the Title Ia and Title Id funds during 25-26. A decision was made to utilize Section 31a funds and use the waiver to carryforward most of the Title Ia funds into 26-27.	
Interdistrict sources	266,115
The increase from the original budget was due to the increase in Act 18 funds passed through KISD.	
Differences - final budget to actual	
State sources	533,620
The actual amount was higher due to the increase in 23a student FTE from May to August (approximately 32 students at \$10,050/each); recognition of the remaining balance in enrollment stabilization of \$70k; and reconciling the deferred revenue for the anticipated funding adjustment after the Section 25g reconciliation in early 26-27 performed by MDE.	
Federal sources	129,422
The final budget did not include the expenditure of Title Ia to cover the educational specialists for the Wedgwood residential program.	
<u>Budgetary Expenditures</u>	
Differences - Original budget to final budget	
Current	
Instruction	
Basic programs	218,312
During the year, an additional teacher was added due to the opening of the day treatment program in Muskegon Port. The teaching supplies were also higher due to the increase in the Edgenuity online license.	
Added needs	(743,766)
As discussed above, it was anticipated that there would be higher Title Ia and Title Id spending during the year. This did not occur and the final budget expenditures in Added Needs were reduced.	
Support services	
Pupil Service	219,487
During the year as the day treatment programs expanded, two new social workers were added and the contracted OT and psychology services were increased.	
School administration	(181,398)
We reduced one school leader and one office manager position during the school year.	
Business services	105,669
Due to the higher state aid revenues from Section 23a, the management fees also increased.	
Capital outlay	1,188,044
The original budget did not include the lease of or build out of the Cedar Springs and Barry sites.	
Differences - final budget to actual	
Current	
Instruction	
Basic programs	(181,438)
The final budget exceeded the actual expenditures primarily due to the reconciliation of accrued payroll and benefits.	
Added needs	(178,039)
The final budget exceeded the actual expenditures primarily due to the reconciliation of accrued payroll and benefits.	
Support services	
Pupil Service	(172,202)
The final budget estimated the cost of the subcontracted OT, psychology and social work services at too high a rate.	
Capital outlay	(329,352)
At the time of the final budget, both Cedar Springs and Barry were in State review and waiting for approval. Both took over 2 1/2 months to gain approval, which delayed the start of the construction.	
<u>Other financing sources/uses</u>	
Differences - Original budget to final budget	
Issuance of long-term lease	565,367
The original budget did not envision the Cedar Springs lease or the increase in the Muskegon lease term	

INTERNAL CONTROL AND COMPLIANCE



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 2, 2026

Board of Directors
Lighthouse Academy
Grand Rapids, Michigan

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 and the major fund of Lighthouse Academy, Grand Rapids, Michigan (the Academy) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 2, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of 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 determination of financial statement amounts. 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 Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Urodeuxeld Haefner LLC