

CANIFF LIBERTY ACADEMY
Hamtramck, Michigan

FINANCIAL STATEMENTS
June 30, 2025



Gardner | Provenzano
Thomas & Luplow

CERTIFIED PUBLIC ACCOUNTANTS

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Frederick C. Gardner
Giacamo Provenzano
Heather A. Thomas
Brett A. Luplow

INDEPENDENT AUDITOR'S REPORT

October 11, 2025

To the Board of Directors
Caniff Liberty Academy

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund and the remaining fund information of Caniff Liberty Academy, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Caniff Liberty 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 remaining fund information of Caniff Liberty Academy, as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Caniff Liberty 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 Caniff Liberty 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 Caniff Liberty 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 Caniff Liberty Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

To the Board of Directors
Caniff Liberty Academy
Page Three

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 11, 2025 on our consideration of Caniff Liberty 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 Caniff Liberty 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 Caniff Liberty Academy's internal control over financial reporting and compliance.

Mardner, Provenzano, Thomas & Luplow

Certified Public Accountants
Saginaw, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CANIFF LIBERTY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Introduction

This section of the annual financial report presents management's discussion and analysis of Caniff Liberty Academy's financial results for the fiscal year ended June 30, 2025. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of the Academy.

Using This Report

The annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Academy as a whole (government-wide statements) and in more detail (governmental fund statements) showing the year's activity by fund.

Academy Wide Financial Statements

The Academy Wide Financial Statements appear first and report all assets and liabilities using the accrual basis of accounting, similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statement of activities covers all of the Academy's services including instruction and support services which are financed through Unrestricted State Aid and State and Federal grants. In addition, revenue less expense results in the change in net position, which can either increase or decrease on an annual basis.

Fund Financial Statements

The Fund Financial Statements are reported on a modified accrual basis and are formatted to comply with the legal requirements of the Michigan Department of Education's Accounting Manual. The Academy uses funds to help control and manage money for specific purposes or to meet legal responsibilities for certain grants. Funds provide a detailed short-term view of the operations and services of the Academy, show how money flows through and out of funds, and the balances left at year-end. Reviewing the funds helps the reader consider whether the Academy is accountable for the resources taxpayers and others provide and gives insight into the Academy's overall financial health.

The relationship between governmental activities (Academy Wide Financial Statements) and governmental fund activities (Fund Financial Statements) will be reconciled later in the report.

**CANIFF LIBERTY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**Condensed Financial Statements
Analysis of Overall Financial Position and Results of Operations**

The table below provides a summary of the Academy's net position as of June 30, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Assets		
Current and other assets	\$ 5,160,798	\$ 4,460,065
Capital assets - net of acc.depreciation/amort.	5,917,390	2,418,571
Total assets	<u>11,078,188</u>	<u>6,878,636</u>
Liabilities		
Current liabilities	1,844,242	2,200,198
Long-term liabilities	3,773,240	211,777
Total liabilities	<u>5,617,482</u>	<u>2,411,975</u>
Net position		
Net investment in capital assets	1,679,471	1,854,061
Unrestricted	3,781,235	2,612,600
Total net position	<u>\$ 5,460,706</u>	<u>\$ 4,466,661</u>

The Academy's net position was \$5,460,706 at June 30, 2025. Net investment in capital assets of \$1,679,471 was computed by taking the original cost of the assets and subtracting the depreciation, amortization expense, and related debt. The remaining amount of net position \$3,781,235 is unrestricted and represents the accumulation of prior and current years' operations. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

The Academy's results of operations for the years ended June 30, 2025 and 2024 are reported on the following page.

**CANIFF LIBERTY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

	<u>2025</u>	<u>2024</u>
Revenue		
Program revenue		
Grants and contributions	\$2,881,886	\$3,635,388
General revenue		
State foundation allowance	5,812,035	5,311,783
Other	544,863	448,583
Total revenue	<u>9,238,784</u>	<u>9,395,754</u>
Function/program expenses		
Instruction	3,169,235	2,826,873
Support services	3,345,772	3,855,607
Food service	697,935	662,559
Interest	340,368	27,366
Depreciation and amortization	691,429	484,653
Total expenses	<u>8,244,739</u>	<u>7,857,058</u>
Increase (decrease) in net position	<u>\$ 994,045</u>	<u>\$ 1,538,696</u>

Funding for the above activities comes from a variety of sources. Some activities are partially funded by those who benefit from the programs or by grants and categoricals from governments and organizations. The remaining activities are paid for by the State Foundation Allowance and other revenues from local sources.

Budget Highlights

Caniff Liberty Academy's budget was developed according to the Uniform Budget Act of the State of Michigan requirements. The Act requires that the original budget for the upcoming fiscal year be approved prior to July 1, the start of the fiscal year.

<u>General fund</u>	<u>Original</u>	<u>Final</u>	<u>Variance</u>	<u>Actual</u>	<u>Variance</u>
Total revenue	\$ 7,972,920	\$ 9,235,194	13.67%	\$ 13,309,850	30.61%
Total expenditures	7,907,253	9,012,355	12.26%	13,218,182	31.82%
Excess revenue/expenditures	<u>\$ 65,667</u>	<u>\$ 222,839</u>		<u>\$ 91,668</u>	

Changes to the original General Fund budget were as follows:

- When establishing the original 2024/25 revenue and expenditure budget in the summer of 2024 only estimates could be used due to the uncertain state of the amount of the per-pupil foundation grant and uncertainties regarding enrollment. Once student enrollment became known and State aid amounts became certain, in the winter of 2025 new budgets were prepared to reflect an increase in the number of students served from the original estimate.

While an increase in the number of students results in more revenue to the Academy, an increase in students results in required expenditures increasing as well.

**CANIFF LIBERTY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Final vs. Actual Budget

- Management believes that the final budget to actual results variances were not significant.

Academy's Funds

General Fund

The General Fund is the primary operating fund for the Academy. For fiscal year ending June 30, 2025, the fund increased by \$91,668.

Food Service Fund

The Academy maintained the school lunch program for the fiscal year. The food service fund balance decreased to \$40,358 at June 30, 2025.

Capital Projects Fund

The Academy opened up a capital projects fund during fiscal 2025. The capital projects fund has a fund balance of \$1,160,000 at June 30, 2025.

Capital Assets

As of June 30, 2025, the Academy has \$5,917,390 in capital assets including the leased building, furniture and improvements, less depreciation and amortization.

	<u>2025</u>	<u>2024</u>
Equipment and improvements	\$ 2,657,241	\$ 2,411,673
Right to use - leased facility	4,685,967	2,869,493
Less accumulated depreciation/amortization	<u>(1,425,818)</u>	<u>(2,862,595)</u>
Net capital assets	<u>\$ 5,917,390</u>	<u>\$ 2,418,571</u>

Long-term Debt

The Academy entered into a lease obligation for the use of its school building. A summary of the transactions associated with this obligation follows.

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2025</u>
Facility lease payable	<u>\$ 564,410</u>	<u>\$ 4,685,967</u>	<u>\$ 1,012,458</u>	<u>\$ 4,237,919</u>

**CANIFF LIBERTY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Conditions Affecting Next Year's Budget

Our Board members and administration consider many factors when setting the Academy's 2025/26 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2025/26 fiscal year is 10 percent and 90 percent of the February 2025 and September 2025 student counts, respectively. The 2026 budget was adopted in June 2025, based on an estimate of students that will be enrolled in September 2025. Approximately 62 percent of the total General Fund revenue is from the foundation allowance.

As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2025/26 school year, we anticipate that the fall student count will be similar to the estimates used in creating the 2025/26 budget. Once the final student count and related per pupil funding is validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to academies. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation. The overall State economy remains a cause for concern, and the Academy will continue to be properly cautious in fiscal matters.

Requests for Information

This report is designed to provide our stakeholders with a general overview of the Academy's finances. If you have questions about this report or need additional information, contact the Academy Business Office, 27704 Franklin Road, Southfield, Michigan 48034.

BASIC FINANCIAL STATEMENTS

CANIFF LIBERTY ACADEMY
Academy Wide
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash	\$ 3,668,738
Receivables	1,492,060
Capital assets less accumulated depreciation/amortization	5,917,390
Total Assets	11,078,188
 Liabilities	
Current liabilities	
Accounts payable	72,884
Due to management company	571,717
Unearned revenue	734,962
Right to use facility lease payable, due within one year	464,679
Long-term liabilities	
Right to use facility lease payable, in more than one year	3,773,240
Total Liabilities	5,617,482
 Net Position	
Net investment in capital assets	1,679,471
Unrestricted	3,781,235
Total Net Position	\$ 5,460,706

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

CANIFF LIBERTY ACADEMY
District Wide
Statement of Activities
For the Year Ended June 30, 2025

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Position</u>
Functions/Programs				
Instruction	\$ 3,169,235	\$ -	\$ 1,959,313	\$ (1,209,922)
Support services	3,345,772	-	307,672	(3,038,100)
Food service	697,935	-	614,901	(83,034)
Interest	340,368	-	-	(340,368)
Amortization (unallocated)	468,597	-	-	(468,597)
Depreciation (unallocated)	222,832	-	-	(222,832)
Totals	<u>\$ 8,244,739</u>	<u>\$ -</u>	<u>\$ 2,881,886</u>	<u>(5,362,853)</u>
General revenues:				
State aid - unrestricted				5,812,035
Other				544,863
Total General Revenues				<u>6,356,898</u>
Change in Net Position				994,045
Net Position - Beginning of Year				4,466,661
Net Position - End of Year				<u>\$ 5,460,706</u>

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

CANIFF LIBERTY ACADEMY
Governmental Funds
Balance Sheet
June 30, 2025

<u>Assets</u>	General Fund	(Non-Major Fund) Food Service	Capital Projects	Totals
Cash	\$ 2,508,738	\$ -	\$ 1,160,000	\$ 3,668,738
Due from other governmental units	1,492,060	-	-	1,492,060
Due from other funds	-	40,358	-	40,358
Total Assets	<u>\$ 4,000,798</u>	<u>\$ 40,358</u>	<u>\$ 1,160,000</u>	<u>\$ 5,201,156</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts payable	\$ 72,885	\$ -	\$ -	\$ 72,885
Due to management company	571,717	-	-	571,717
Unearned revenue	734,962	-	-	734,962
Due to other funds	40,358	-	-	40,358
Total Liabilities	<u>1,419,922</u>	<u>-</u>	<u>-</u>	<u>1,419,922</u>
Fund balance				
Committed	-	-	1,160,000	1,160,000
Restricted	-	40,358	-	40,358
Unassigned	2,580,876	-	-	2,580,876
Total Fund Balance	<u>2,580,876</u>	<u>40,358</u>	<u>1,160,000</u>	<u>3,781,234</u>
Total Liabilities and Fund balance	<u>\$ 4,000,798</u>	<u>\$ 40,358</u>	<u>\$ 1,160,000</u>	<u>\$ 5,201,156</u>

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

CANIFF LIBERTY ACADEMY
Reconciliation of Balance Sheet of Governmental Funds to Net Position
June 30, 2025

Total Fund Balances - Governmental Funds	\$ 3,781,234
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 are:	7,343,208
Accumulated depreciation/amortization is:	(1,425,818)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Liability on right to use asset	(4,237,918)
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Total Net Position - Governmental Activities (Academy Wide)	<u><u>\$ 5,460,706</u></u>

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

CANIFF LIBERTY ACADEMY
Governmental Funds
Statement of Revenue, Expenses, and Changes in Fund Balances
For the Year Ended June 30, 2025

	General	(Non-Major Fund) Food Service	Capital Projects	Totals
Revenue				
Local	\$ 544,863	\$ -	\$ -	\$ 544,863
State	7,562,717	9,201	-	7,571,918
Federal	516,303	605,700	-	1,122,003
Total Revenue	<u>8,623,883</u>	<u>614,901</u>	<u>-</u>	<u>9,238,784</u>
Expenditures				
Instruction				
Basic programs	2,158,925	-	-	2,158,925
Added needs	1,010,310	-	-	1,010,310
Support Services				
Pupil services	284,299	-	-	284,299
Staff	414,760	-	-	414,760
General administration	388,899	-	-	388,899
School administration	201,591	-	-	201,591
Business	1,292,426	-	-	1,292,426
Operation and maintenance	5,939,762	-	-	5,939,762
Transportation	274,713	-	-	274,713
Central services	81,454	-	-	81,454
Community services	11,043	-	-	11,043
Food service	-	697,935	-	697,935
Total Expenditures	<u>12,058,182</u>	<u>697,935</u>	<u>-</u>	<u>12,756,117</u>
Excess (Deficiency) of Revenues over Expenditures	(3,434,299)	(83,034)	-	(3,517,333)
Other Financing Sources (Uses)				
Operating transfers in/out	(1,160,000)	-	1,160,000	-
Proceeds from lease obligations	4,685,967	-	-	4,685,967
Total Other Financing Sources (Uses)	<u>3,525,967</u>	<u>-</u>	<u>1,160,000</u>	<u>4,685,967</u>
Net change in fund balances	91,668	(83,034)	1,160,000	1,168,634
Fund Balance, Beginning of Year	<u>2,489,208</u>	<u>123,392</u>	<u>-</u>	<u>2,612,600</u>
Fund Balance, End of Year	<u>\$ 2,580,876</u>	<u>\$ 40,358</u>	<u>\$ 1,160,000</u>	<u>\$ 3,781,234</u>

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

CANIFF LIBERTY ACADEMY
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2025

Net Change in Fund Balances - Governmental Funds \$ 1,168,634

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 capitalized
 and depreciated over their estimated useful lives.

Capital outlay	4,931,535
Depreciation expense	(222,832)
Amortization expense	(468,597)
Effect of disposal of right to use asset	(176,776)

Lease proceeds are an other financing source in the governmental funds,
 but not in the Academy Wide statement of activities.

Obligation under right to use asset	(4,685,967)
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Repayment of principal is an expenditure in the governmental funds,
 but not in the Academy Wide statement of activities.

Obligation under right to use asset	448,048
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Change in Net Position of Governmental Activities (Academy Wide)	\$ 994,045
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The accompanying notes are an integral part of these financial statements.

CANIFF LIBERTY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

Caniff Liberty Academy was formed as a Charter School Academy pursuant to the Michigan School Code of 1976, as amended by Act 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982.

In June 2012, the Academy entered into an agreement with Oakland University to operate as a public school academy. The Academy began operations as a public school academy in the 2012/2013 school year. The Academy is required to act exclusively as a governmental agency and is prohibited from taking any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. Oakland University is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Oakland University three percent of state aid as administrative fees. The total administrative fees incurred to Oakland University for the year ended June 30, 2025 was \$207,757.

Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

A. Academy-Wide Statements

The statement of net position and the statement of activities display information about the Academy as a whole. The usual purpose of these statements is to distinguish between activities that are governmental and those that are considered business-type activities. Currently, all activities of the Academy are considered to be governmental.

The Academy-wide statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. This basis is different from the manner in which the governmental fund financial statements are prepared. Therefore, reconciliations are included to identify the relationship between the Academy-wide statements and the statements for the governmental funds.

CANIFF LIBERTY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

The Academy-wide statement of activities presents a comparison between program expenses and program revenues; revenues that are not classified as direct program revenues are presented as general revenues. The comparison of program expenses and revenues identify the extent to which each program is self-financed or draws resources from the Academy.

The Academy-wide approach is focused more on the sustainability of the Academy as an entity and the change in the Academy's net position from the current year's activities.

B. Fund Financial Statements

The accounts of the Academy are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following fund types are used by the Academy:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the Academy.

General Fund is the general operating fund of the Academy. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for a specified purpose. The Special Revenue Fund maintained by the Academy is the Food Service Fund. The Food Service Fund is intended to be self-supporting.

Capital Projects Funds are used to account for financial reserves to be used for the acquisition or construction of major capital facilities.

Usually, the emphasis in fund financial statements is on the major funds. The Academy has opted to display information for all funds without regard to the criteria for determination of major funds as determined by GASB 34. However, only the general fund and the capital projects fund met the criteria as a major fund.

CANIFF LIBERTY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures /expenses are recognized in the accounts and reported in the financial statements. Accounting basis relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

The full accrual basis of accounting requires recognition of revenues when earned and expenses when incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This method is used for the Academy-Wide statements.

Modified Accrual

The modified accrual basis recognizes revenues when they are measurable and available, available means collectible within the current period or within 60 days after year-end. Expenditures are still recognized when incurred; however, principal and interest on long-term debt is recognized when payment is due. This method is used for the Fund Level statements.

The most significant difference between the full accrual basis of accounting and the modified accrual basis of accounting is the way in which capital assets and long-term debt are recognized. The full accrual basis of accounting recognizes purchases of capital assets as an asset and long-term debt proceeds as a liability (similar to a for-profit business). The modified accrual basis of accounting recognizes the purchase of capital assets as expenditures and long-term debt proceeds as other revenue sources.

D. Financial Statement Amounts

Cash

Cash includes cash on hand and demand deposits.

Receivables

Receivables consist of all revenues earned at year-end but not yet received.

CANIFF LIBERTY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Academy does not possess infrastructure type assets.

Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Computer equipment	3 years
Equipment and improvements	5-15 years

Accounts Payable

Accounts payable consist of items from which the Academy benefited during the current fiscal year but has not yet paid.

Unearned Revenue

Unearned revenue represents amounts for which the Academy has received or is due to receive but has not yet earned. Unearned revenue is usually caused by the receipt of grant program revenues in excess of expenses/expenditures related to the grant. The unearned revenues are deferred until the proceeds have been fully expensed/expended at which time they will be reclassified to earned revenues. The Academy had \$734,962 of unearned revenue at June 30, 2025.

Due to Management Company

Due to Management Company consists of administrative fees and unreimbursed expenses/expenditures that are due and payable for the current fiscal year.

Inter-fund Activity

Inter-fund activity is reported as transfers and is eliminated upon consolidation.

In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

CANIFF LIBERTY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

- Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed – Amounts that have been formally set aside by the Board of the Academy for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of the Academy.
- Assigned – Intent to spend resources on specific purposes expressed by the Board of the Academy.
- Unassigned – Amounts that are available for any purpose.

The Academy did not have any nonspendable, committed, or assigned fund balance as of June 30, 2025.

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 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 – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CANIFF LIBERTY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position/balance sheet 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy had no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position/balance sheet 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy had no items that qualified for reporting in this category.

Leases

The Academy is a lessee for noncancelable lease of a building. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Academy recognizes lease liabilities with an initial, individual value of \$10,000 or more.

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

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

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

CANIFF LIBERTY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of the lease liability.

Subsequent Events – The financial statements and related disclosures include evaluation of events up through and including October 11, 2025, which is the date the financial statements were available to be issued.

NOTE 2--Stewardship, Compliance, and Accountability

The Academy formally adopted a General Fund and Food Service Fund budget by activity for the year ended June 30, 2025. State law requires the Academy to have its budget in place before July 1. Unexpended appropriations lapse at year-end; encumbrances are not formally recorded.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. Budgeted amounts presented in the financial statements are amended by the Board of Directors.

State law permits Academies to amend their budgets during the year. The budgetary comparison presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. Expenditures in excess of amounts budgeted are a violation of Michigan law.

The Academy's expenditure budget variances are illustrated in the required supplemental information.

CANIFF LIBERTY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments

The Academy is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The Academy is also authorized to invest in the following:

- a. Direct bonds and obligations of the U.S. or agency or instrumentality,
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. Commercial paper – within three highest rate classifications by at least two rating services, maturing not later than 270 days,
- d. U.S. or agency repurchase agreements,
- e. Banker's acceptance of U.S. banks, and
- f. Mutual funds – investments which local unit can make directly.

As of year-end, the carrying amount of the Academy deposits was \$3,668,738 and the bank balance was \$3,730,711. All cash is deposited in a federally insured financial institution. The Academy had uninsured bank balances of \$3,480,711 at June 30, 2025. The Academy has not adopted an investment policy and does not hold any investments.

NOTE 4--Capital Assets and Accumulated Depreciation/Amortization

Capital asset activity of the Academy was as follows:

	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Capital assets subject to depreciation/amortization				
Equipment and improvements	\$ 2,411,673	\$ 245,568	\$ -	\$ 2,657,241
Right to use - leased facility	2,869,493	4,685,967	2,869,493	4,685,967
Total Capital Assets	<u>5,281,166</u>	<u>4,931,535</u>	<u>2,869,493</u>	<u>7,343,208</u>
Accumulated depreciation/amortization				
Equipment and improvements	734,389	222,832	-	957,221
Right to use - leased facility	2,128,206	468,597	2,128,206	468,597
Total Accumulated Depreciation	<u>2,862,595</u>	<u>691,429</u>	<u>2,128,206</u>	<u>1,425,818</u>
Total Net Capital Assets	<u>\$ 2,418,571</u>	<u>\$ 4,240,106</u>	<u>\$ 741,287</u>	<u>\$ 5,917,390</u>

Allocation of depreciation and amortization to a specific program/function is not practical. Therefore, depreciation totaling \$222,832 and amortization totaling \$468,597 were not allocated for the year ended June 30, 2025.

NOTE 5--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. During the year ended June 30, 2025, the Academy carried commercial insurance.

CANIFF LIBERTY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6--Management Contract

On June 14, 2012, the Academy entered into a management agreement with Education and Management Networks, Inc. (EMAN). The agreement was extended for an additional five-year period in September 2022. The Academy's Board shall provide notice to EMAN in writing at least 60 days prior to the expiration of the agreement of its intent to terminate or renegotiate the agreement. In the event that the Board does not provide notice to EMAN at least 60 days prior to the expiration of the agreement, the agreement will automatically renew for an additional five year academic period.

Under the direction of the Academy's Board, EMAN is responsible for all of the management, operation, administration, and education at the Academy. EMAN is responsible for the implementation and administration of the educational program; recruiting, hiring and employing the principal, teachers, other professional staff at the Academy; all human resources and professional development for the Academy's staff; and development, review, and implementation of the Academy's curriculum; and all other functions which are typically associated with the operation and administration of a public school and a public school district.

Management fees are calculated based on 12% of all funds received by the Academy either directly or indirectly, attributable to a school year during which EMAN provides services under the management agreement with the exception of donations made to the Academy. The total management fees incurred by the Academy for the year ended June 30, 2025, was \$1,108,037.

NOTE 7--Due to Management Company

	Balance
	<u>June 30, 2025</u>
Management fees	\$ (54,874)
Accrued expenditures	626,591
Total due to management company	<u>\$ 571,717</u>

NOTE 8--Lease Commitments

The Academy rents its school building from Princeton Education Management, LLC. The agreement was extended during fiscal 2025 and will be effect until the expiration of the Academy's charter. The Academy pays monthly rent an amount equal to 11.50% of the unrestricted state aid received each month. The Academy incurred rental expense for its building of \$611,640 for the year ended June 30, 2025.

CANIFF LIBERTY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9--Long-Term Obligation

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025	Current Portion
Facility Lease	\$ 564,410	\$ 4,685,967	\$ 1,012,458	\$ 4,237,919	\$ 464,679

Estimated minimum future payments under the lease obligation are as follows:

School Year	Principal	Interest	Total
2025/26	\$ 464,679	\$ 146,961	\$ 611,640
2026/27	481,926	129,714	611,640
2027/28	499,813	111,827	611,640
2028/29	518,365	93,275	611,640
2029/30	537,605	74,035	611,640
2030/31	557,559	54,081	611,640
2031/32	578,254	33,386	611,640
2032/33	599,716	11,924	611,640
	<u>\$ 4,237,917</u>	<u>\$ 655,203</u>	<u>\$ 4,893,120</u>

NOTE 10--Grant Programs

All grant programs are subject to a final audit from the grantor agency, the outcome of which may or not result in disallowed costs that the Academy may be required to be paid back.

NOTE 11--Interfund -- Receivables, Payables, and Transfers

The makeup of interfund balances are as follows:

Fund	Due from General Fund	Fund	Due to Food Service
Food service	\$ 40,358	General	\$ 40,358

The makeup of transfers are as follows:

Fund	Transfer from General Fund	Fund	Transfer to Capital Projects
Capital projects	\$ 1,160,000	General	\$ 1,160,000

The general fund transferred \$1,160,000 to the capital projects fund to fund capital project plans. The general fund is allowed to transfer 20% of unrestricted state aid to the capital projects fund. The transfer of \$1,160,000 did not exceed the 20% allowed.

CANIFF LIBERTY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - Upcoming Accounting Pronouncements

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of 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.

CANIFF LIBERTY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - Upcoming Accounting Pronouncements (continued)

The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying assets in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

REQUIRED SUPPLEMENTAL INFORMATION

CANIFF LIBERTY ACADEMY
Budgetary Comparison
For the Year Ended June 30, 2025

	General Fund				Food Service			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenue								
Local	\$ 381,391	\$ 558,360	\$ 544,863	\$ (13,497)	\$ -	\$ -	\$ -	\$ -
State	7,095,145	8,142,595	7,562,717	(579,878)	-	-	9,201	9,201
Federal	496,384	534,239	516,303	(17,936)	-	-	-	-
Incoming transfers and other	-	-	4,685,967	4,685,967	616,224	831,548	605,700	(225,848)
Total revenue	<u>7,972,920</u>	<u>9,235,194</u>	<u>13,309,850</u>	<u>4,074,656</u>	<u>616,224</u>	<u>831,548</u>	<u>614,901</u>	<u>(216,647)</u>
Instruction								
Basic programs	1,892,308	2,277,852	2,158,925	118,927	-	-	-	-
Added needs	908,313	1,169,159	1,010,310	158,849	-	-	-	-
Support Services								
Pupil services	414,703	488,671	284,299	204,372	-	-	-	-
Staff	511,721	676,883	414,760	262,123	-	-	-	-
General administration	385,825	466,389	388,899	77,490	-	-	-	-
School administration	318,410	266,755	201,591	65,164	-	-	-	-
Business	1,248,576	1,439,279	1,292,426	146,853	-	-	-	-
Operation and maintenance	1,725,138	1,703,850	5,939,762	(4,235,912)	-	-	-	-
Transportation	252,310	374,962	274,713	100,249	-	-	-	-
Central services	94,531	135,690	81,454	54,236	-	-	-	-
Community services	112,650	12,865	11,043	1,822	-	-	-	-
Outgoing transfers and other	42,768	-	1,160,000	(1,160,000)	-	-	-	-
Food service	-	-	-	-	677,930	930,454	697,935	232,519
Total expenditures	<u>7,907,253</u>	<u>9,012,355</u>	<u>13,218,182</u>	<u>(4,205,827)</u>	<u>677,930</u>	<u>930,454</u>	<u>697,935</u>	<u>232,519</u>
Excess (Deficiency) of revenues over expenditures	65,667	222,839	91,668	(131,171)	(61,706)	(98,906)	(83,034)	15,872
Fund Balance - Beginning of Year	2,489,208	2,489,208	2,489,208	-	123,392	123,392	123,392	-
Fund Balance - End of Year	<u>\$ 2,554,875</u>	<u>\$ 2,712,047</u>	<u>\$ 2,580,876</u>	<u>\$ (131,171)</u>	<u>\$ 61,686</u>	<u>\$ 24,486</u>	<u>\$ 40,358</u>	<u>\$ 15,872</u>

ADDITIONAL SUPPLEMENTAL INFORMATION



Frederick C. Gardner
Giacamo Provenzano
Heather A. Thomas
Brett A. Luplow

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

October 11, 2025

To the Board of Directors
Caniff Liberty 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 remaining fund information as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Caniff Liberty Academy's basic financial statements and have issued our report thereon dated October 11, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Caniff Liberty Academy's internal control over financial reporting (internal control) to determine the 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 Caniff Liberty Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Caniff Liberty 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 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.

To the Board of Directors
Caniff Liberty Academy
Page Two

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caniff Liberty 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 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.

Mardine, Provenzano, Thomas & Duplow

Certified Public Accountants
Saginaw, Michigan