

**INNOCADEMY**

**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary information)**

**YEAR ENDED JUNE 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Innocademy

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Innocademy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Innocademy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Innocademy, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Innocademy 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.

### ***Change in Accounting Principle***

As discussed in Note 11 to the financial statements, in 2022 the Academy adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Innocademy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Innocademy's ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2022 on our consideration of Innocademy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Innocademy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Innocademy's internal control over financial reporting and compliance.

*Manes Costeiran PC*

September 21, 2022

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Innocademy’s (Academy) annual financial report presents our discussion and analysis of the Academy’s financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

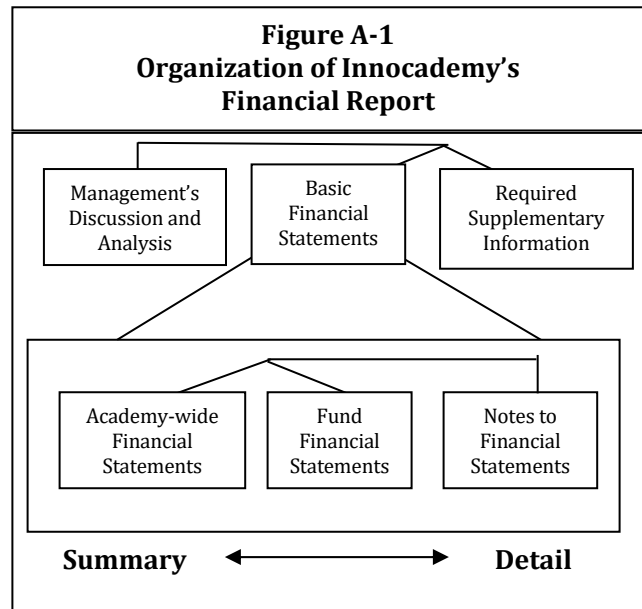
### Financial Highlights

- The Academy had an increase in the fund balance in the general fund of \$21,820, compared to a budgeted increase of \$0. This gives the Academy a general fund balance of \$886,992.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are Academy-wide *financial statements* that provide both short-term and long-term information about the Academy’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy’s operations in more detail than the Academy-wide statements.
- The *governmental funds* statements tell how basic *services* like regular and special education were financed in the short-term as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2 Major Features of the Academy-wide and Fund Financial Statements**

	Academy-wide Statements	Governmental Funds
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

**Academy-wide Statements**

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy’s net position and how they have changed. Net position - the difference between the Academy’s assets and liabilities, is one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy’s enrollment, the condition of school buildings and other facilities, and the Academy’s ability to be competitive with other public school academies and area school districts.

Governmental activities - The Academy’s basic services are included here, such as regular and special education and administration. State foundation aid finances most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the Academy’s funds, focusing on its more significant or “major” funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs. The Academy has a general fund and a special revenue fund.

- Some funds are required by State law and by debt agreements.
- The Academy establishes other funds to control and manage money for particular purposes (like student/school activities).

All of the Academy’s basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy’s programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

## Financial Analysis of the Academy as a Whole

Net position - The Academy’s combined net position of \$1,054,178 increased by \$11,207 during the year. See Figures A-3 and A-4.

The Academy’s total revenue was \$3,531,510.

The total cost of instruction was \$1,917,751. Total cost of support services was \$1,135,822.

<b>Figure A-3 Innocademy's Net Position</b>		
	<u>2022</u>	<u>2021*</u>
Current assets	\$ 1,061,931	\$ 1,060,936
Capital assets	<u>1,688,797</u>	<u>154,945</u>
Total assets	<u>2,750,728</u>	<u>1,215,881</u>
Other liabilities	156,751	172,910
Noncurrent liabilities	<u>1,539,799</u>	<u>-</u>
Total liabilities	<u>1,696,550</u>	<u>269,186</u>
Net position		
Net investments in capital assets	148,998	154,945
Unrestricted	<u>905,180</u>	<u>888,026</u>
Total net position	<u>\$ 1,054,178</u>	<u>\$ 1,042,971</u>

\*The 2021 figures have not been updated for the adoption of GASB 87.



**Figure A-4  
Changes in Innocademy's Net Position**

	<u>2022</u>	<u>2021*</u>
Revenues		
Program revenues		
Operating grants and contributions	\$ 720,232	\$ 599,142
General revenues		
State sources - unrestricted	2,514,213	2,548,395
Incoming transfers	274,678	296,642
Other	<u>22,387</u>	<u>32,610</u>
Total general revenues	<u>2,811,278</u>	<u>2,877,647</u>
Total revenues	<u>3,531,510</u>	<u>3,476,789</u>
Expenses		
Instruction	1,917,751	1,907,165
Support services	1,135,822	1,316,003
Student/school activities	72,083	19,686
Interest and fees	33,751	-
Unallocated depreciation/amortization	<u>360,896</u>	<u>52,606</u>
Total expenses	<u>3,520,303</u>	<u>3,295,460</u>
Change in net position	<u>\$ 11,207</u>	<u>\$ 181,329</u>

\*The 2021 figures have not been updated for the adoption of GASB 87.

### **Financial Analysis of the Academy's Funds**

The Academy's fund balance in the general fund increased by \$21,820 to \$886,992.

### **General Fund Budgetary Highlights**

Over the course of the year, the Academy revised the general fund annual operating budget when necessary. Changes were made in both revenue and expenditures which reflected anticipated changes in enrollment, state and federal funding, compensation for staff, and overall program support.

The Academy's final budget for the general fund anticipated revenues would exceed expenditures by \$0. The actual results for the year showed revenues exceed expenditures by \$21,820.

Actual revenues were \$68,273 less than budgeted.

Actual expenditures were \$70,768 less than budgeted, primarily due to basic programs and instructional staff being under budget.

## Capital Asset and Debt Administration

### Capital Assets

By the end of the year ended June 30, 2022, the Academy had invested \$1,688,797 in capital assets net of accumulated depreciation/amortization as summarized in Figure A-5. This amount represents an increase of \$1,533,852 from the beginning of the year. Total depreciation/amortization expense for the year was \$360,896. More detailed information about capital assets can be found in Note 4 to the financial statements.

The Academy's capital assets are as follows:

	2022			2021*
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 297,792	\$ 202,282	\$ 95,510	\$ 59,983
Leasehold improvements	124,420	37,680	86,740	94,962
Right to use - buildings	1,807,856	301,309	1,506,547	-
Total	<u>\$ 2,230,068</u>	<u>\$ 541,271</u>	<u>\$ 1,688,797</u>	<u>\$ 154,945</u>

\*The 2021 figures have not been updated for the adoption of GASB 87.

### Long-term Debt

The Academy implemented GASB Statement No. 87, *Leases*, and entered into a financing agreement for a copier during 2021-2022. At year end, the Academy had total long-term debt of \$1,539,799. The Academy continued to pay down its debt, retiring \$287,382 of outstanding debt. See Note 5 for more information.

### Factors Bearing on the Academy's Future

At the time these financial statements were prepared and audited, the Academy prepared the 22-23 budget with the following assumptions:

- The Academy has adopted a general fund budget for 2022/2023 that anticipates revenue equal expenditures.
- The Academy projected 275 FTE for 22-23 and state and federal funding based on available estimates
- The Academy received an ESSER III allocation of \$411,877. A portion of the ESSER III funds are included in the 22-23 budget taking into account constituent input, and will be used to address learning loss and to assist the school to overcome the impacts of the COVID 19 pandemic.

### Contacting the Academy's Financial Management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy at 8485 Homestead, Zeeland, Michigan 49464.

## **BASIC FINANCIAL STATEMENTS**

**INNOCADEMY  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 396,162
Accounts receivable	5,615
Intergovernmental receivable	655,429
Capital assets, net of accumulated depreciation/amortization	1,688,797
<b>TOTAL ASSETS</b>	<b>2,750,728</b>
<b>LIABILITIES</b>	
Accounts payable	73,521
Accrued payroll	6,320
Unearned revenue	76,910
Noncurrent liabilities:	
Due within one year	1,244,154
Due in more than one year	295,645
<b>TOTAL LIABILITIES</b>	<b>1,696,550</b>
<b>NET POSITION</b>	
Net investment in capital assets	148,998
Unrestricted	905,180
<b>TOTAL NET POSITION</b>	<b>\$ 1,054,178</b>

See notes to financial statements.

**INNOCADEMY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 1,917,751	\$ -	\$ 483,281	\$ (1,434,470)
Support services	1,135,822	-	169,534	(966,288)
Student/school activities	72,083	-	67,417	(4,666)
Interest and fees	33,751	-	-	(33,751)
Depreciation/amortization (unallocated)	360,896	-	-	(360,896)
Total governmental activities	<u>\$ 3,520,303</u>	<u>\$ -</u>	<u>\$ 720,232</u>	<u>(2,800,071)</u>
General revenues				
State sources - unrestricted				2,514,213
Incoming transfer from Ottawa Area ISD				274,678
Other				<u>22,387</u>
Total general revenues				<u>2,811,278</u>
CHANGE IN NET POSITION				11,207
Net position, beginning of year				<u>1,042,971</u>
Net position, end of year				<u>\$ 1,054,178</u>

See notes to financial statements.

**INNOCADEMY  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2022**

	General Fund	Non-major (Special Revenue) Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 377,974	\$ 18,188	\$ 396,162
Accounts receivable	5,615	-	5,615
Intergovernmental receivables	655,429	-	655,429
Prepays	4,725	-	4,725
	<u>\$ 1,043,743</u>	<u>\$ 18,188</u>	<u>\$ 1,061,931</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 73,521	\$ -	\$ 73,521
Accrued payroll	6,320	-	6,320
Unearned revenue	76,910	-	76,910
	<u>156,751</u>	<u>-</u>	<u>156,751</u>
<b>TOTAL LIABILITIES</b>			
<b>FUND BALANCES</b>			
Nonspendable			
Prepays	4,725	-	4,725
Committed for student/school activities	-	18,188	18,188
Unassigned	882,267	-	882,267
	<u>886,992</u>	<u>18,188</u>	<u>905,180</u>
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES AND FUND BALANCES</b>			
	<u>\$ 1,043,743</u>	<u>\$ 18,188</u>	<u>\$ 1,061,931</u>
<b>Total governmental fund balances</b>			<b>\$ 905,180</b>
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			
The cost of the capital assets is		\$ 2,230,068	
Accumulated depreciation/amortization is		(541,271)	
			1,688,797
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Direct borrowings and direct placements			(1,539,799)
<b>Net position of governmental activities</b>			<b>\$ 1,054,178</b>

See notes to financial statements.

**INNOCADEMY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**  
**YEAR ENDED JUNE 30, 2022**

	General Fund	Non-major (Special Revenue) Fund	Total Governmental Funds
<b>REVENUES</b>			
Local revenue	\$ 22,387	\$ -	\$ 22,387
State sources	2,751,396	-	2,751,396
Federal sources	415,632	-	415,632
Student/school activities	-	67,417	67,417
Incoming transfers	274,678	-	274,678
<b>TOTAL REVENUES</b>	<b>3,464,093</b>	<b>67,417</b>	<b>3,531,510</b>
<b>EXPENDITURES</b>			
Current			
Instruction			
Basic programs	1,629,932	-	1,629,932
Added needs	287,819	-	287,819
<b>Total instruction</b>	<b>1,917,751</b>	<b>-</b>	<b>1,917,751</b>
Support services			
Pupil	228,648	-	228,648
Instructional staff	350,805	-	350,805
General administration	209,638	-	209,638
School administration	34,444	-	34,444
Business services	27,407	-	27,407
Operation and maintenance	221,244	-	221,244
Pupil transportation	20,575	-	20,575
Central support services	129,953	-	129,953
<b>Total support services</b>	<b>1,222,714</b>	<b>-</b>	<b>1,222,714</b>
Student/school activities	-	72,083	72,083
Debt service	321,133	-	321,133
<b>TOTAL EXPENDITURES</b>	<b>3,461,598</b>	<b>72,083</b>	<b>3,533,681</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,495</b>	<b>(4,666)</b>	<b>(2,171)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term obligations	19,325	-	19,325
<b>NET CHANGE IN FUND BALANCES</b>	<b>21,820</b>	<b>(4,666)</b>	<b>17,154</b>
<b>FUND BALANCES</b>			
Beginning of year	865,172	22,854	888,026
End of year	\$ 886,992	\$ 18,188	\$ 905,180

See notes to financial statements.

**INNOCADEMY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

**Net change in fund balances total governmental funds** \$ 17,154

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization.

Capital outlay	86,892
Depreciation/amortization expense	(360,896)

Proceeds and repayments of principal on long-term debts are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities).

Proceeds from long-term obligation	(19,325)
Payments on notes from direct borrowings and direct placements	<u>287,382</u>

**Change in net position of governmental activities** \$ 11,207



**INNOCADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Academy. *Governmental activities* normally are supported by intergovernmental revenues.

Reporting Entity

Innocademy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Lake Superior State University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2027. The Academy's Board of Directors is approved by the authorizing body and is authorized to manage the Academy and the property and affairs of the Academy. The Academy receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. The Academy's reporting entity does not contain any component units.

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The Academy reports the following *Major Governmental Fund*:

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

*Other Nonmajor Fund*:

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

**INNOCADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation - Fund Financial Statements (continued)

During the course of operations, the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

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

Measurement Focus and Basis of Accounting

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental fund. Issuance of long-term obligations and acquisitions under leases are reported as other financing sources.

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

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

**INNOCADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus and Basis of Accounting (continued)

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

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

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

Budgetary Information

*Budgetary Basis of Accounting*

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

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

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

- a. The ESP submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Prior to July 1, the budget is legally adopted by Board of Directors resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- c. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- d. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2022. The Academy does not consider these amendments to be significant.

**INNOCADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*Cash and Cash Equivalents*

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

*Prepays*

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

*Capital Assets*

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

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

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Furniture and equipment	3 - 15
Leasehold improvements	5 - 30
Right to use - buildings	6

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net 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 has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net 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 has no items that qualify for reporting in this category.

**INNOCADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*Net Position Flow Assumption*

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

*Fund Balance Flow Assumptions*

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

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

**INNOCADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*Leases*

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

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

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

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

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

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

Revenues and Expenditures/Expenses

*Program Revenues*

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

**INNOCADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - CASH DEPOSITS - CREDIT RISK**

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2022, the bank balance of the Academy's cash equivalents was \$410,327, of which, \$250,000 is covered by federal depository insurance.

**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES**

Receivables at June 30, 2022 consist of the following:

State sources	\$	492,829
Federal sources		58,018
Other		104,582
		104,582
	\$	655,429

Intergovernmental receivables include amounts due from state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

**NOTE 4 - CAPITAL ASSETS**

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

	As Restated Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Governmental activities				
Furniture and equipment	\$ 210,900	\$ 86,892	\$ -	\$ 297,792
Leasehold improvements	124,420	-	-	124,420
Right to use - buildings	1,807,856	-	-	1,807,856
	2,143,176	86,892	-	2,230,068
Accumulated depreciation/amortization				
Furniture and equipment	150,917	51,365	-	202,282
Leasehold improvements	29,458	8,222	-	37,680
Right to use - buildings	-	301,309	-	301,309
	180,375	360,896	-	541,271
Net governmental capital assets	\$ 1,962,801	\$ (274,004)	\$ -	\$ 1,688,797

**INNOCADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS (continued)**

Depreciation/amortization for the fiscal year ended June 30, 2022 amounted to \$360,896. The Academy determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2022:

	<u>Notes from Direct Borrowings and Direct Placements</u>
Balance, June 30, 2021, as restated	\$ 1,807,856
Additions	19,325
Repayments	<u>(287,382)</u>
Balance, June 30, 2022	1,539,799
Due within one year	<u>295,645</u>
Due in more than one year	<u><u>\$ 1,244,154</u></u>

Long-term obligations at June 30, 2022 are comprised of the following issues:

Direct Borrowings and Direct Placements

During the 2017 fiscal year, Innocademy entered into a ten-year lease agreement as lessee for the use of a building and its facilities. An initial lease liability was recorded in the amount of \$1,807,856 during the current fiscal year. Innocademy is required to make monthly principal and interest payments of \$26,667. The lease has an interest rate of 2%. \$ 1,521,397

During the 2022 fiscal year, Innocademy entered into a five-year financing agreement for a copier. Innocademy is required to make monthly principal and interest payments of \$378. The lease has an interest rate of 6.5%. 18,402

Total long-term obligations \$ 1,539,799



**INNOCADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (continued)**

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of \$18,402 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable

The annual requirements to amortize long-term obligations outstanding, including interest of \$81,736, as of June 30, 2022, are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements		Total
	Principal	Interest	
2023	\$ 295,645	\$ 28,888	\$ 324,533
2024	301,780	22,754	324,534
2025	308,049	16,485	324,534
2026	314,457	10,077	324,534
2027	319,868	3,532	323,400
	\$ 1,539,799	\$ 81,736	\$ 1,621,535

**NOTE 6 - OVERSIGHT FEES**

The Academy pays an administrative oversight fee of 3% of its state school aid to Lake Superior State University. These oversight responsibilities include the approval of Innocademy's operating plan, monitoring compliance with provisions of the charter contract and the selection of members for the Board of Directors. During the year ended June 30, 2022, the Academy incurred expense of \$81,779 for oversight fees.

**NOTE 7 - PURCHASED SERVICES**

The Academy leases all employee services from Innovative Education Services, Inc. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of Innovative Education Services, Inc. There was \$22,670 owed to Innovative Education Services, Inc. at June 30, 2022.

**NOTE 8 - RISK MANAGEMENT**

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

**INNOCADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - CONTINGENT LIABILITIES**

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

**NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

**NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2022, the Academy implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

**Summary:**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The restatement of the beginning of year had no impact on net position. The change capital assets and long-term obligations is as follows:

	<u>Capital Asset</u>	<u>Long-term Obligations</u>
Balances as of July 1, 2021, as previously stated	\$ 154,945	\$ -
Adoption of GASB Statement 87	<u>1,807,856</u>	<u>1,807,856</u>
Balances as of July 1, 2021, as restated	<u>\$ 1,962,801</u>	<u>\$ 1,807,856</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**INNOCADEMY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local sources	\$ 25,930	\$ 45,285	\$ 22,387	\$ (22,898)
State sources	2,712,681	2,771,907	2,751,396	(20,511)
Federal sources	396,898	421,107	415,632	(5,475)
Incoming transfers	253,277	294,067	274,678	(19,389)
<b>TOTAL REVENUES</b>	<b>3,388,786</b>	<b>3,532,366</b>	<b>3,464,093</b>	<b>(68,273)</b>
<b>EXPENDITURES</b>				
Instruction				
Basic programs	1,740,529	1,655,334	1,629,932	25,402
Added needs	337,955	291,598	287,819	3,779
<b>Total instruction</b>	<b>2,078,484</b>	<b>1,946,932</b>	<b>1,917,751</b>	<b>29,181</b>
Support services				
Pupil	172,592	229,074	228,648	426
Instructional staff	262,074	361,465	350,805	10,660
General administration	197,599	214,558	209,638	4,920
School administration	6,350	38,639	34,444	4,195
Business services	26,767	27,408	27,407	1
Operation and maintenance	543,755	237,599	221,244	16,355
Pupil transportation	15,125	20,600	20,575	25
Central support services	86,040	136,091	129,953	6,138
<b>Total support services</b>	<b>1,310,302</b>	<b>1,265,434</b>	<b>1,222,714</b>	<b>42,720</b>
Debt service	-	320,000	321,133	(1,133)
<b>TOTAL EXPENDITURES</b>	<b>3,388,786</b>	<b>3,532,366</b>	<b>3,461,598</b>	<b>70,768</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>2,495</b>	<b>2,495</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term obligations	-	-	19,325	19,325
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>21,820</b>	<b>\$ 21,820</b>
<b>FUND BALANCE</b>				
Beginning of year			865,172	
End of year			\$ 886,992	



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

To the Board of Directors  
Innocademy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Innocademy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Innocademy's basic financial statements, and have issued our report thereon dated September 21, 2022.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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

*Maney Costeiran PC*

September 21, 2022



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September 21, 2022

To the Board of Directors  
Innocademy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Innocademy for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Innocademy are described in Note 1 to the financial statements. During fiscal year 2022, the Academy implemented Governmental Accounting Standard No. 87, *Leases*. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's determination of the estimated life span of the capital assets.

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The disclosures in the financial statements are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

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

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 21, 2022.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

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

A separate management letter was not issued.



Restriction on Use

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

Very truly yours,

*Maney Costeiran PC*