INNOCADEMY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED JUNE 30, 2026

Maner Costerisan

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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, 2026, 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, the major fund, and the aggregate remaining fund information of Innocademy, as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Innocademy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Innocademy'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 October 5, 2026 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.

Maner Costerisan PC

Lansing, Michigan
October 5, 2026

INNOCADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

If you have any questions about this report or need any additional information, please contact the Academy at 8485 Homestead Dr. Zeeland, Michigan, 49464.

OVERVIEW OF THE FINANCIAL STATEMENTS

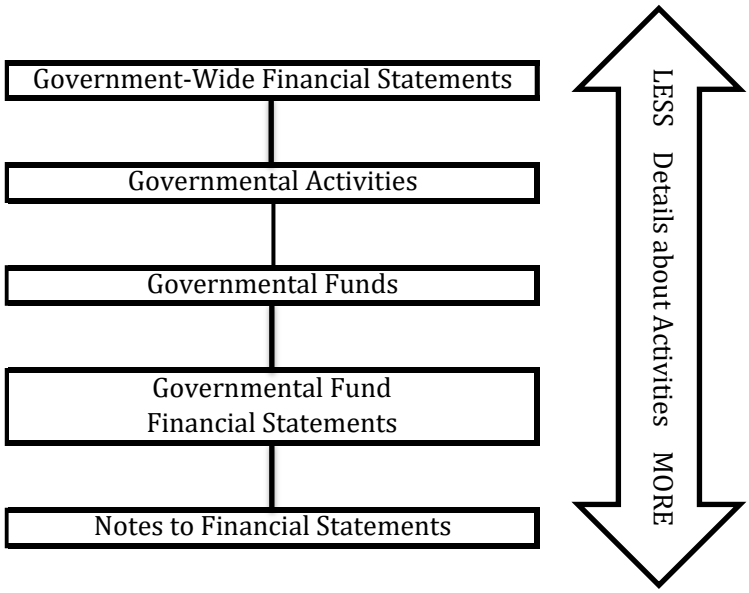
The Academy's financial report contains basic financial statements. Those financial statements present the Academy's finances at both an overall and a detailed level. The first two – the *government-wide financial statements* – cover the Academy's governmental activities. (See the diagram in Figure A-1.)

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

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

- *Governmental Fund Financial Statements* report all of the governmental activities. The Academy has one fund for its operations, the general fund.

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



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

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

ANALYSIS OF THE ACADEMY'S FINANCES

Table A-1
Innocademy's Net Position

	2026	2025	Dollar Change	Total Percentage Change
Current assets	$ 1,338,671	$ 1,463,598	$ (124,927)	-8.5%
Capital assets	629,429	887,212	(257,783)	-29.1%
Total assets	1,968,100	2,350,810	(382,710)	-16.3%
Current liabilities	114,736	199,581	(84,845)	-42.5%
Noncurrent liabilities	319,868	634,325	(314,457)	-49.6%
Total liabilities	434,604	833,906	(399,302)	-47.9%
Net position				
Net investment in capital assets	309,561	252,887	56,674	22.4%
Unrestricted	1,223,935	1,264,017	(40,082)	-3.2%
Total net position	$ 1,534,751	$ 1,516,904	$ 17,847	1.2%

Table A-1 shows that as of June 30, 2026, the Academy's total net position – assets minus liabilities - was $1,533,496, an increase of $16,592 or 1.1% compared with 2025. This increase is primarily due to a $56,674 or 22.4% increase in net investment in capital assets. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

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

1. Increase in state sources due to a slight increase in student enrollment.
2. Increase in intermediate sources.

Table A-2
Changes in Innocademy's Net Position

	2026	2025	Dollar Change	Total Percentage Change
Revenues				
Program revenues				
Operating grants and contributions	$ 973,720	$ 957,275	$ 16,445	1.7%
General revenues				
State sources - unrestricted	2,714,494	2,668,179	46,315	1.7%
Intermediate sources	332,606	289,281	43,325	15.0%
Local sources	7,297	10,845	(3,548)	-32.7%
Total revenues	4,028,117	3,925,580	102,537	2.6%
Expenses				
Instruction	2,294,128	2,087,914	206,214	9.9%
Support services	1,304,381	1,307,400	(3,019)	-0.2%
Community services	600	2,547	(1,947)	-76.4%
Student/school activities	51,300	49,525	1,775	3.6%
Interest and fees	10,077	16,484	(6,407)	-38.9%
Unallocated depreciation/amortization	351,039	335,209	15,830	4.7%
Total expenses	4,011,525	3,799,079	212,446	5.6%
Change in net position	16,592	126,501	$ (109,909)	-86.9%
Net position - beginning of year	1,516,904	1,390,403		9.1%
Net position - end of year	$ 1,533,496	$ 1,516,904		1.1%

Increase in State Sources

State sources increased in the current year compared to the prior year, which accounts for 67.3% of overall revenues. State sources are a product of student counts multiplied by the foundation allowance. The foundation allowance increased by $442 per pupil in 2026 as well as a student enrollment increase of approximately 3 students. The increase in student count combined with the increase in the foundation allowance led to higher revenues.

Increase in Intermediate Sources

Intermediate sources increased in the current year compared to the prior year, which accounts for 8.2% of overall revenues. The increase in intermediate sources is largely due to an increase in the allocation in ACT 18 funding from OAISD.

GOVERNMENTAL FUNDS

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

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

	General Fund	
	2026	2025
REVENUES	$ 3,980,967	$ 3,877,007
EXPENDITURES	4,016,899	3,835,927
Excess (deficiency) of revenues over (under) expenditures	(35,932)	41,080
Fund balance - beginning of year	1,252,404	1,211,324
Fund balance - end of year	$ 1,216,472	$ 1,252,404

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

General Fund

The fund balance of the Academy's general fund decreased by 2.9%. The decline in fund balance is attributable to the increase in expenditures.

The overall fund balance as of June 30, 2026 represented approximately 30.3% of operating expenditures. Within fund balance, approximately 96.2% of the balance is considered unassigned. The remaining 3.8% is considered either restricted, committed, or assigned for other items and is not readily available for use.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets-original cost minus accumulated depreciation - decreased 29.1% compared to 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
Innocademy's Capital Assets

	2026			2025	
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value	Total Percentage Change
Furniture and equipment	$ 415,748	$ 257,348	$ 158,400	$ 127,801	23.9%
Leasehold improvements	300,819	140,589	160,230	144,140	11.2%
Right-to-use - building	1,807,856	1,506,546	301,310	602,619	-50.0%
Right-to-use - subscription-based IT	15,815	6,326	9,489	12,652	-25.0%
Total	$ 2,540,238	$ 1,910,809	$ 629,429	$ 887,212	-29.1%

The Academy continued to invest in its facilities, safety measures, and technology during fiscal year 2026, adding $93,256 in capital assets. Major projects included playground fencing, security-related door and divider wall improvements, parking lot improvements, HVAC , and network equipment upgrades. While these investments enhanced the Academy's facilities and operations, annual depreciation and amortization expense of $351,039 exceeded current year additions. As a result, net capital assets decreased by $257,783.

Long-term Obligations

Overall the carrying value of the Academy's long-term obligations decreased by 49.6% from the prior year. See Table A-5 for the carrying value of the Academy's long-term obligations.

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

	2026	2025	Total Percentage Change
Notes from direct borrowings and direct placements	$ 319,868	$ 634,325	-49.6%

During the 2026 fiscal year, the Academy did not enter into any new long-term debt agreements. Scheduled principal payments totaling $314,457 were made on existing obligations, resulting in a reduction of the Academy's outstanding long-term obligations. The current building lease expires June 2027, the Academy plans to enter into another 5 year building lease when the current one expires.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

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

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

- The Academy has adopted a general fund budget for the 2026-27 school year in which expenditures are expected to exceed revenues by $40,760.

- The Academy budgeted 282 students but have 247 enrolled against 270 last year. They plan to address the resulting shortfall in revenue with the first budget amendment.

BASIC FINANCIAL STATEMENTS

INNOCADEMY
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 612,300
Accounts receivable	8,785
Intergovernmental receivable	712,473
Prepaids	5,113
Capital assets, net of accumulated depreciation/amortization	629,429
TOTAL ASSETS	1,968,100
LIABILITIES	
Accounts payable	66,339
Unearned revenue	39,895
Accrued purchased services - payroll and related	8,502
Noncurrent liabilities	
Due within one year	319,868
TOTAL LIABILITIES	434,604
NET POSITION	
Net investment in capital assets	309,561
Unrestricted	1,223,935
TOTAL NET POSITION	$ 1,533,496

See notes to financial statements.

INNOCADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 2,294,128	$ -	$ 739,083	$ (1,555,045)
Support services	1,304,381	-	187,487	(1,116,894)
Community services	600	-	-	(600)
Student/school activities	51,300	-	47,150	(4,150)
Interest and fees	10,077	-	-	(10,077)
Depreciation/amortization (unallocated)	351,039	-	-	(351,039)
Total governmental activities	$ 4,011,525	$ -	$ 973,720	(3,037,805)
General revenues				
State sources - unrestricted				2,714,494
Intermediate sources				332,606
Other				7,297
Total general revenues				3,054,397
CHANGE IN NET POSITION				16,592
Net position, beginning of year				1,516,904
Net position, end of year				$ 1,533,496

See notes to financial statements.

INNOCADEMY
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2026

	General Fund	Nonmajor (Special Revenue) Governmental Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 604,837	$ 7,463	$ 612,300
Accounts receivable	8,785	-	8,785
Intergovernmental receivable	712,473	-	712,473
Prepaids	5,113	-	5,113
TOTAL ASSETS	$ 1,331,208	$ 7,463	$ 1,338,671
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 66,339	$ -	$ 66,339
Accrued purchased services - payroll and related	8,502	-	8,502
Unearned revenue	39,895	-	39,895
TOTAL LIABILITIES	114,736	-	114,736
FUND BALANCES			
Nonspendable			
Prepaids	5,113	-	5,113
Committed for student/school activities	-	7,463	7,463
Assigned for subsequent year expenditures	40,760	-	40,760
Unassigned	1,170,599	-	1,170,599
TOTAL FUND BALANCES	1,216,472	7,463	1,223,935
TOTAL LIABILITIES AND FUND BALANCES	$ 1,331,208	$ 7,463	$ 1,338,671

See notes to financial statements.

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

Total governmental fund balances		$ 1,223,935
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	$ 2,540,238	
Accumulated depreciation/amortization is	(1,910,809)	
		629,429
Long-term obligations are not due and payable in the current period and are not reported in the funds:		
Direct borrowings and direct placements		(319,868)
Net position of governmental activities		$ 1,533,496

See notes to financial statements.

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

	General Fund	Nonmajor (Special Revenue) Governmental Fund	Total Governmental Funds
REVENUES			
Local revenue	$ 7,297	$ -	$ 7,297
State sources	3,422,344	-	3,422,344
Federal sources	218,720	-	218,720
Student/school activities	-	47,150	47,150
Intermediate sources	332,606	-	332,606
TOTAL REVENUES	3,980,967	47,150	4,028,117
EXPENDITURES			
Current			
Instruction			
Basic programs	1,950,218	-	1,950,218
Added needs	343,910	-	343,910
Total instruction	2,294,128	-	2,294,128
Support services			
Pupil	282,356	-	282,356
Instructional staff	264,533	-	264,533
General administration	215,011	-	215,011
School administration	10,923	-	10,923
Business services	32,822	-	32,822
Operation and maintenance	337,212	-	337,212
Pupil transportation	34,156	-	34,156
Central support services	220,624	-	220,624
Total support services	1,397,637	-	1,397,637
Community services	600	-	600
Student/school activities	-	51,300	51,300
Debt service	324,534	-	324,534
TOTAL EXPENDITURES	4,016,899	51,300	4,068,199
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(35,932)	(4,150)	(40,082)
FUND BALANCES			
Beginning of year	1,252,404	11,613	1,264,017
End of year	$ 1,216,472	$ 7,463	$ 1,223,935

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, 2026

Net change in fund balances total governmental funds	$	(40,082)
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		93,256
Depreciation/amortization expense		(351,039)
Proceeds and repayments of principal on long-term obligations are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities):		
Payments on notes from direct borrowings and direct placements		314,457
Change in net position of governmental activities	$	16,592

See notes to financial statements.

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.

The Academy reports the following *Other Nonmajor Fund*:

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

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

Measurement Focus and Basis of Accounting

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

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

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

Cash and Cash Equivalents

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

Prepaids

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

Capital Assets

Capital assets, which include furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 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 asset 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:

Capital Asset Classes	Years
Furniture and equipment	3 - 15
Leasehold improvements	5 - 30
Right to use - buildings	5-10
Right to use - subscription-based IT	5

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies (continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Subscription-based IT Arrangements (SBITA)

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

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

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

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for SBITA.

- The SBITA term includes the noncancelable period of the subscription. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

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

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

Revenues and Expenditures/Expenses

Program Revenues

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

NOTE 2 - CASH DEPOSITS - CREDIT RISK

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2026, the bank balance of the Academy's cash equivalents was $621,944 Federal depository insurance covers $250,000 of the balance, leaving $371,944 uninsured and uncollateralized.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

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

	Government-wide
State sources	$ 551,850
Federal sources	49,838
Intermediate sources	110,785
	$ 712,473

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

No allowance for doubtful accounts is considered necessary.

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
Capital assets being depreciated/amortized				
Furniture and equipment	$ 363,681	$ 52,067	$ -	$ 415,748
Leasehold improvements	259,630	41,189	-	300,819
Right to use - buildings	1,807,856	-	-	1,807,856
Right to use - subscription-based IT	15,815	-	-	15,815
	2,446,982	93,256	-	2,540,238
Accumulated depreciation/amortization				
Furniture and equipment	235,880	21,468	-	257,348
Leasehold improvements	115,490	25,099	-	140,589
Right to use - buildings	1,205,237	301,309	-	1,506,546
Right to use - subscription-based IT	3,163	3,163	-	6,326
	1,559,770	351,039	-	1,910,809
Net governmental capital assets	$ 887,212	$ (257,783)	$ -	$ 629,429

Depreciation/amortization for the fiscal year ended June 30, 2026 amounted to $351,039. The Academy determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

NOTE 5 - LONG-TERM OBLIGATIONS

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

	Notes from Direct Borrowings and Direct Placements
Balance, July 1, 2025	$ 634,325
Repayments	(314,457)
Balance, June 30, 2026	319,868
Due within one year	$ 319,868

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

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

Direct Borrowings and Direct Placements

During the 2017 fiscal year, Innocademy entered into a ten-year lease agreement as lessee for the use of a building and its facilities. Innocademy is required to make monthly principal and interest payments of $26,667. The lease has an interest rate of 2%.	$ 316,561
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 agreement has an interest rate of 6.5%.	3,307
Total long-term obligations	$ 319,868

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of $319,868 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 $10,170 as of June 30, 2026, are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements		
	Principal	Interest	Total
2027	$ 319,868	$ 10,170	$ 330,038

Interest expense (all funds) for the year ended June 30, 2026 was $10,077.

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. The current agreement with Lake Superior State University expires June 2027, the Academy is applying for reauthorization. During the year ended June 30, 2026, the Academy incurred expense of $92,404 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 $33,887 owed to Innovative Education Services, Inc. at June 30, 2026.

NOTE 8 - RISK MANAGEMENT

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

NOTE 9 - CONTINGENT LIABILITIES

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

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLES

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

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

a. Management's discussion and analysis (MD&A)
b. Unusual or infrequent items
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. This Statement also requires additional disclosures for capital assets held for sale.

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Variance with		Variance with
	Original Budget	Final Budget	Original and Final Budget	Actual	Final Budget and Actual
REVENUES					
Local sources	$ 12,505	$ 7,520	$ (4,985)	$ 7,297	$ (223)
State sources	3,539,411	3,439,797	(99,614)	3,422,344	(17,453)
Federal sources	181,614	232,435	50,821	218,720	(13,715)
Intermediate sources	312,000	332,073	20,073	332,606	533
TOTAL REVENUES	4,045,530	4,011,825	(33,705)	3,980,967	(30,858)
EXPENDITURES					
Current					
Instruction					
Basic programs	1,991,803	1,976,485	15,318	1,950,218	26,267
Added needs	395,624	363,344	32,280	343,910	19,434
Total instruction	2,387,427	2,339,829	47,598	2,294,128	45,701
Support services					
Pupil	300,541	288,219	12,322	282,356	5,863
Instructional staff	283,828	271,464	12,364	264,533	6,931
General administration	227,055	218,648	8,407	215,011	3,637
School administration	21,710	12,650	9,060	10,923	1,727
Business services	33,938	32,872	1,066	32,822	50
Operation and maintenance	309,631	356,535	(46,904)	337,212	19,323
Pupil transportation	29,459	35,729	(6,270)	34,156	1,573
Central support services	126,541	221,706	(95,165)	220,624	1,082
Total support services	1,332,703	1,437,823	(105,120)	1,397,637	40,186
Community services	1,400	1,000	400	600	400
Debt service	324,000	324,570	(570)	324,534	36
TOTAL EXPENDITURES	4,045,530	4,103,222	(57,692)	4,016,899	86,323
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(91,397)	(91,397)	(35,932)	55,465
FUND BALANCE					
Beginning of year	1,252,404	1,252,404	-	1,252,404	-
End of year	$ 1,252,404	$ 1,161,007	$ (91,397)	$ 1,216,472	$ 55,465

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

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

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

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

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

NOTE 2 - BUDGETARY COMPARISON

Significant Variances Between Original and Final Budget

	Variance	Explanation
REVENUES		
State sources	$ (99,614)	State revenue decreased primarily due to changes in the foundation allowance/Section 22b funding mix calculated from actual enrollment and lower GSRP current-year funding. These decreases were partially offset by additional At-Risk funding, prior-year/carryover grant revenue, educator compensation funding, and other state grant adjustments.
Federal sources	50,821	Federal revenue increased primarily due to E-Rate funding that was not included in the initial budget, along with higher Title I and Medicaid revenue. These increases were partially offset by minor adjustments to IDEA and other federal grants.
EXPENDITURES		
Support services - operation and maintenance	(46,904)	The increase was primarily related to additional purchased services and safety/security expenditures, including spending supported by Section 31aa funding. Other changes included adjustments to technology/furniture and equipment, facility supplies, internet/E-Rate costs, and the allocation of GSRP facility costs.
Support services - Central	(95,165)	Central Support increased primarily from new grant-funded and technology-related expenditures, including the Section 27l Educator Compensation Program, E-Rate technology equipment, and other technology equipment. Additional increases were associated with HR/leadership compensation and related benefit costs.

Significant Variances Between Final Budget and Actual

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

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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, 2026, and the related notes to the financial statements, which collectively comprise Innocademy's basic financial statements, and have issued our report thereon dated October 5, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Innocademy'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.

Maner Costerisan PC

Lansing, Michigan
October 5, 2026

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October 5, 2026

To the Board of Directors of the
Innocademy

We have audited the financial statements of the governmental activities and the major fund of Innocademy for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information orally during our discussion on September 8, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

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

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

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

Management's estimate of the discount rate used for leases, the lease term and lease payments/receipts is based on the iCademy Global incremental borrowing rate and consideration of the noncancelable period of the lease and reasonably certain lease options.

We evaluated the key factors and assumptions used to develop this accounting estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly 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 each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

Restriction on Use

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

Very truly yours,

Maner Costerisan PC

Lansing, Michigan