

NEW BRANCHES CHARTER ACADEMY

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

YEAR ENDED JUNE 30, 2025



TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS.....	10
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet - Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	15
Notes to Financial Statements	16-28
REQUIRED SUPPLEMENTARY INFORMATION	29
Budgetary Comparison Schedule - General Fund	30
ADDITIONAL SUPPLEMENTARY INFORMATION	31
Nonmajor Governmental Fund Types	
Combining Balance Sheet.....	32
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	33
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 <i>GOVERNMENT AUDITING STANDARDS</i>	34-35



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

🖨 517.323.6346

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Branches Charter Academy

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Branches Charter Academy, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise New Branches Charter Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Branches Charter Academy, as of June 30, 2025, 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 New Branches Charter Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2025 on our consideration of New Branches Charter Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Branches Charter Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Branches Charter Academy's internal control over financial reporting and compliance.

Maney Costeiran PC

October 14, 2025

**NEW BRANCHES CHARTER ACADEMY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section of New Branches Charter Academy (Academy) annual financial report presents our discussion and analysis of the public school Academy’s financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

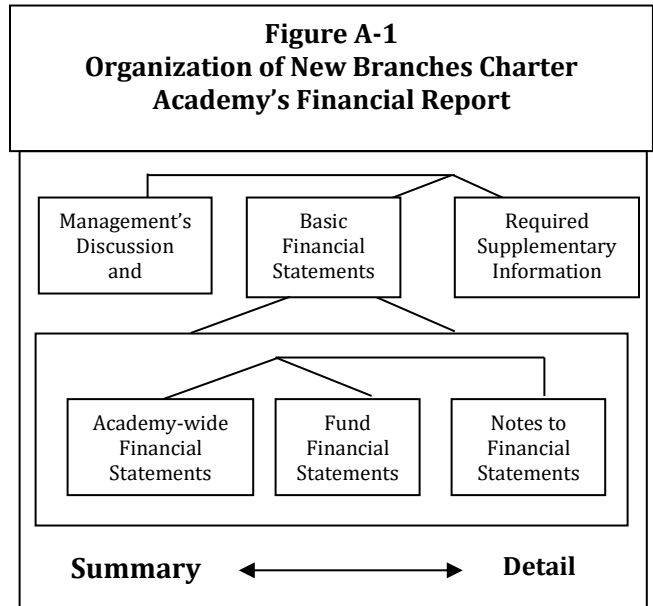
Financial Highlights

- The Academy had an increase in the fund balance in the general fund of \$64,862 compared to a budgeted decrease of \$31,473. This gives the Academy a fund balance in the general fund of \$2,082,609.

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.

**NEW BRANCHES CHARTER ACADEMY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

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, deferred inflows and outflows, 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.

NEW BRANCHES CHARTER ACADEMY MANAGEMENT'S DISCUSSION AND ANALYSIS

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, special revenue fund, debt service fund, and capital projects fund.

- Some funds are required by State law and by bond covenants.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term obligations) or to show that it is properly using certain revenues (like school lunch).

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 \$3,290,983 increased by \$123,839 during the year. See Figures A-3 and A-4.

The total revenues decreased by 6% to \$5,807,246. This is mainly due to the decrease in federal revenue. The state aid foundation allowance included in revenue from state sources accounts for approximately 60% of the Academy's revenue.

The total cost of instruction increased by 7% to \$2,570,733. Total support services increased by 13% to \$2,292,140.

**NEW BRANCHES CHARTER ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Academy Governmental Activities

Figure A-3 New Branches Charter Academy's Net Position		
	2025	2024
Current and other assets	\$ 3,464,653	\$ 3,343,112
Capital assets	2,773,721	2,647,364
Total assets	6,238,374	5,990,476
Other liabilities	1,057,742	992,615
Noncurrent liabilities	1,889,649	1,830,717
Total liabilities	2,947,391	2,823,332
Net position		
Net investment in capital assets	884,072	842,916
Restricted		
Food service	229,604	238,052
Unrestricted	2,177,307	2,086,176
Total net position	\$ 3,290,983	\$ 3,167,144

Figure A-4 Changes in New Branches Charter Academy's Net Position		
	2025	2024
Revenues		
Program revenues		
Operating grants	\$ 1,851,078	\$ 2,460,195
Charges for services	203,949	102,705
	2,055,027	2,562,900
General revenues		
State sources - unrestricted	3,462,158	3,418,504
Other	290,110	219,308
Total general revenues	3,752,268	3,637,812
Total revenues	5,807,295	6,200,712
Expenses		
Instruction	2,570,733	2,392,016
Support services	2,292,140	2,019,828
Community services	86,058	74,756
Food services	427,685	440,452
Interest and fees	100,385	95,723
Depreciation/amortization (unallocated)	206,455	114,154
Total expenses	5,683,456	5,136,929
Change in net position	\$ 123,839	\$ 1,063,783

**NEW BRANCHES CHARTER ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Analysis of the Academy's Funds

The Academy's general fund balance increased by \$64,862 to \$2,082,609. General fund revenue decreased by \$342,676 mainly due to the decrease in federal revenue. Instruction expenditures increased by \$237,872 and support services expenditures increased by \$41,844 mainly due to increased staffing costs.

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 decreases in state aid and anticipated increases in actual salary figures for staff.

The Academy's final budget for the general fund anticipated a decrease in fund balance of \$31,473. The actual results for the year showed an increase in fund balance of \$64,862.

Actual revenues were \$122,413 less than budgeted, due primarily to less than expected state funding.

Actual expenditures were \$218,748 less than budgeted, due primarily to less basic programs, added needs, general administration, operation and maintenance, central support, and debt service expenditures than expected.

Capital Asset and Long-term Obligations

Capital Assets

By the end of the year ended June 30, 2025, the Academy had invested \$2,773,721 in capital assets net of accumulated depreciation/amortization as summarized in Figure A-5. This amount represents an increase of \$126,357 from the beginning of the year. Total depreciation/amortization expense for the year was \$206,455. More detailed information about capital assets can be found in Note 4 to the financial statements.

The Academy's capital assets are as follows:

Figure A-5 New Branches Charter Academy's Capital Assets				
	2025			2024
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Land	\$ 147,000	\$ -	\$ 147,000	\$ 147,000
Construction in progress	-	-	-	262,590
Furniture and equipment	380,491	188,691	191,800	207,873
Right to use - leased equipment	284,470	70,358	214,112	44,072
Right to use - subscription-based IT	56,514	18,838	37,676	-
Computer equipment	114,584	31,506	83,078	107,759
Buildings	2,811,451	711,396	2,100,055	1,878,070
Total	\$ 3,794,510	\$ 1,020,789	\$ 2,773,721	\$ 2,647,364

NEW BRANCHES CHARTER ACADEMY MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Obligations

At year end, the Academy had total long-term obligations outstanding of \$1,889,649, including \$1,671,655 of general obligation bonds and \$217,994 of direct borrowings related to lease agreements. The Academy continued to retire its long-term obligations, retiring \$179,946 in the current year. 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 was aware of existing circumstances that could significantly affect its financial health in the future.

- The Academy has adopted a general fund budget for 2025/2026 in which expenditures exceed revenues by \$336,116.

As of the date of this report, the State of Michigan has not finalized the school aid budget for the upcoming fiscal year. Final state aid allocations are therefore subject to change once the state budget is approved. Management will monitor developments and update financial planning accordingly.

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's Management Company, Choice Schools Associates, LLC at 5251 Clyde Park Avenue SW, Wyoming, Michigan, 49509, phone (616) 785-8440.

BASIC FINANCIAL STATEMENTS

**NEW BRANCHES CHARTER ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2025**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,092,465
Accounts receivable	15,499
Intergovernmental receivable	1,096,992
Prepays	259,697
Capital assets, not being depreciated	147,000
Capital assets, net of accumulated depreciation/amortization	2,626,721
TOTAL ASSETS	6,238,374
LIABILITIES	
Accounts payable	50,179
Unearned revenue	669,726
Accrued salaries and related items	319,748
Accrued expenses	18,089
Noncurrent liabilities	
Due within one year	180,976
Due in more than one year	1,708,673
TOTAL LIABILITIES	2,947,391
NET POSITION	
Net investment in capital assets	884,072
Restricted	
Food service	229,604
Unrestricted	2,177,307
TOTAL NET POSITION	\$ 3,290,983

See notes to financial statements.

**NEW BRANCHES CHARTER ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 2,570,733	\$ -	\$ 1,105,409	\$ (1,465,324)
Support services	2,292,140	-	309,751	(1,982,389)
Community services	86,058	203,949	-	117,891
Food services	427,685	-	435,918	8,233
Interest and fees	100,385	-	-	(100,385)
Depreciation/amortization (unallocated)	206,455	-	-	(206,455)
Total governmental activities	<u>\$ 5,683,456</u>	<u>\$ 203,949</u>	<u>\$ 1,851,078</u>	<u>(3,628,429)</u>
General revenues				
State sources - unrestricted				3,462,158
Incoming transfer from Kent ISD				221,173
Other				<u>68,937</u>
Total general revenues				<u>3,752,268</u>
CHANGE IN NET POSITION				123,839
NET POSITION, beginning of year				<u>3,167,144</u>
NET POSITION, end of year				<u>\$ 3,290,983</u>

See notes to financial statements.

**NEW BRANCHES CHARTER ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund	2023 Refunding Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,092,465	\$ -	\$ -	\$ 2,092,465
Accounts receivable	15,499	-	-	15,499
Intergovernmental receivables	1,092,491	-	4,501	1,096,992
Due from other funds	-	-	327,455	327,455
Prepays	259,697	-	-	259,697
	\$ 3,460,152	\$ -	\$ 331,956	\$ 3,792,108
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 42,525	\$ -	\$ 7,654	\$ 50,179
Due to other funds	327,455	-	-	327,455
Unearned revenue	669,726	-	-	669,726
Accrued salaries and related items	319,748	-	-	319,748
Accrued expenditures	18,089	-	-	18,089
	1,377,543	-	7,654	1,385,197
FUND BALANCES				
Nonspendable				
Prepays	259,697	-	-	259,697
Restricted				
Food service	-	-	229,604	229,604
Assigned for capital projects	-	-	94,698	94,698
Assigned for subsequent years expenditures	336,116	-	-	336,116
Unassigned	1,486,796	-	-	1,486,796
	2,082,609	-	324,302	2,406,911
	\$ 3,460,152	\$ -	\$ 331,956	\$ 3,792,108
Total governmental fund balances				\$ 2,406,911
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			\$ 3,794,510	
Accumulated depreciation/amortization is			(1,020,789)	2,773,721
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
General obligation bonds				(1,671,655)
Direct borrowings and direct placements				(217,994)
Net position of governmental activities				\$ 3,290,983

See notes to financial statements.

NEW BRANCHES CHARTER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund	2023 Refunding Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 288,866	\$ -	\$ -	\$ 288,866
State sources	4,499,838	-	14,594	4,514,432
Federal sources	377,480	-	420,164	797,644
Incoming transfers and other	224,943	-	1,160	226,103
TOTAL REVENUES	5,391,127	-	435,918	5,827,045
EXPENDITURES				
Current				
Instruction				
Basic programs	2,082,407	-	-	2,082,407
Added needs	561,127	-	-	561,127
Total instruction	2,643,534	-	-	2,643,534
Support services				
Pupil	243,020	-	-	243,020
Instructional staff	196,423	-	-	196,423
General administration	670,649	-	-	670,649
School administration	348,314	-	-	348,314
Business services	76,086	-	-	76,086
Operation and maintenance	424,544	-	-	424,544
Pupil transportation	266,500	-	-	266,500
Central support services	72,502	-	-	72,502
Other support services	1,720	-	-	1,720
Total support services	2,299,758	-	-	2,299,758
Community service	86,846	-	-	86,846
Food service	-	-	444,366	444,366
Capital outlay	280,943	-	-	280,943
Debt service				
Principal	64,955	88,722	-	153,677
Interest	9,392	90,993	-	100,385
Total debt service	74,347	179,715	-	254,062
TOTAL EXPENDITURES	5,385,428	179,715	444,366	6,009,509
EXCESS (DEFICIENCY) OF REVENUES OVER OVER (UNDER) EXPENDITURES	5,699	(179,715)	(8,448)	(182,464)
OTHER FINANCING SOURCES (USES)				
Proceeds from lease	238,878	-	-	238,878
Transfers in	-	179,715	-	179,715
Transfers out	(179,715)	-	-	(179,715)
TOTAL OTHER FINANCING SOURCES (USES)	59,163	179,715	-	238,878
NET CHANGE IN FUND BALANCES	64,862	-	(8,448)	56,414
FUND BALANCES				
Beginning of year	2,017,747	-	332,750	2,350,497
End of year	<u>\$ 2,082,609</u>	<u>\$ -</u>	<u>\$ 324,302</u>	<u>\$ 2,406,911</u>

See notes to financial statements.

**NEW BRANCHES CHARTER ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Net change in fund balances total governmental funds	\$ 56,414
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	352,562
Depreciation/amortization expense	(206,455)
Net book value of assets disposed	(19,750)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Compensated absences, beginning of the year	26,269
Compensated absences, end of the year	-
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):	
Proceeds from lease	(238,878)
Principal repayments	<u>153,677</u>
Change in net position of governmental activities	<u>\$ 123,839</u>

**NEW BRANCHES CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

The New Branches Charter Academy (the “Academy”) is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Central Michigan University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2029. The Academy’s Board of Directors is approved by the authorizing body and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The Academy reports the following *Major Governmental Funds*:

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

The *2023 Refunding Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt.

The Academy reports the following *Nonmajor Governmental Funds*:

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

**NEW BRANCHES CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Nonmajor Governmental Funds (continued):

The *Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Academy accounts for its food service activity in a special revenue fund.

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

**NEW BRANCHES CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

Budgetary Information

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 (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 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.

**NEW BRANCHES CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

Budgetary Basis of Accounting (continued)

- 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 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, 2025. The Academy does not consider these amendments to be significant.

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

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Academy or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Prepaid Items

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

**NEW BRANCHES CHARTER ACADEMY
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)

Capital Assets

Capital assets, as summarized below, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and a useful life in excess of 1 year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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:

Capital Asset Classes	Lives
Furniture and equipment	4 - 30
Right to use - leased equipment	3 - 5
Right to use - subscription-based IT	3
Computer equipment	4 - 30
Buildings	10 - 50

Deferred Outflows

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

Deferred Inflows

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

Net Position Flow Assumption

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

**NEW BRANCHES CHARTER ACADEMY
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)

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

Leases

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

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

**NEW BRANCHES CHARTER ACADEMY
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)

Leases (continued)

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

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

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

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

Subscription-based IT Arrangements (SBITA)

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 leases included 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.

**NEW BRANCHES CHARTER ACADEMY
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)

Subscription-based IT Arrangements (SBITA) (continued)

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.

Long-term Obligations

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

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

NOTE 2 - 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, 2025, \$2,027,267 of the Academy's bank balance of \$2,277,267 was exposed to custodial credit risk because it was not covered by federal depository insurance and was not collateralized.

**NEW BRANCHES CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2025 consist of the following:

Governmental units	
State sources	\$ 782,457
Federal sources	137,948
Payments from ISD	<u>176,587</u>
	<u><u>\$ 1,096,992</u></u>

Amounts due from governmental units include amounts due from federal, state, and ISD sources for various projects and programs.

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2024	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2025
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 147,000	\$ -	\$ -	\$ 147,000
Construction in progress	262,590	-	262,590	-
	<u>409,590</u>	<u>-</u>	<u>262,590</u>	<u>147,000</u>
Capital assets, being depreciated/amortized				
Furniture and equipment	401,659	15,105	36,273	380,491
Right to use - leased equipment	45,592	238,878	-	284,470
Right to use - subscription-based IT	-	56,514	-	56,514
Computer equipment	128,488	-	13,904	114,584
Buildings	2,512,676	304,655	5,880	2,811,451
	<u>3,088,415</u>	<u>615,152</u>	<u>56,057</u>	<u>3,647,510</u>
Accumulated depreciation/amortization				
Furniture and equipment	193,786	28,629	33,724	188,691
Right to use - leased equipment	1,520	68,838	-	70,358
Right to use - subscription-based IT	-	18,838	-	18,838
Computer equipment	20,729	12,282	1,505	31,506
Buildings	634,606	77,868	1,078	711,396
	<u>850,641</u>	<u>206,455</u>	<u>36,307</u>	<u>1,020,789</u>
Net capital assets being depreciated/ amortized	<u>2,237,774</u>	<u>408,697</u>	<u>19,750</u>	<u>2,626,721</u>
Net governmental capital assets	<u><u>\$ 2,647,364</u></u>	<u><u>\$ 408,697</u></u>	<u><u>\$ 282,340</u></u>	<u><u>\$ 2,773,721</u></u>

**NEW BRANCHES CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (continued)

Depreciation/amortization for the fiscal year ended June 30, 2025 amounted to \$206,455. 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, 2025.

	General Obligation Bond	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance, July 1, 2024	\$ 1,760,377	\$ 44,071	\$ 26,269	\$ 1,830,717
Additions	-	238,878	-	238,878
Deletions	<u>(88,722)</u>	<u>(64,955)</u>	<u>(26,269)</u>	<u>(179,946)</u>
Balance, June 30, 2025	1,671,655	217,994	-	1,889,649
Due within one year	<u>93,531</u>	<u>87,445</u>	<u>-</u>	<u>180,976</u>
Due in more than one year	<u>\$ 1,578,124</u>	<u>\$ 130,549</u>	<u>\$ -</u>	<u>\$ 1,708,673</u>

Long-term obligations at June 30, 2025 consists of the following:

General Obligation Bond

\$1,855,422 2023 Public School Academy Refunding Bond; due in annual installments of \$84,000 to \$167,000 through 2038; interest payable at 5.29% \$ 1,671,655

Direct Borrowings and Direct Placements

During the 2024 fiscal year, New Branches Charter Academy entered into a five-year lease agreement as lessee for the use of a copier. New Branches Charter Academy is required to make monthly principal and interest payments of \$798. The lease has an interest rate of 2%. 35,298

During the 2025 fiscal year, New Branches Charter Academy entered into a three-year lease agreement as lessee for the use of three buses. An initial lease liability was recorded in the amount of \$238,878 during the current fiscal year. New Branches Charter Academy is required to make monthly principal and interest payments of \$7,197. The lease has an interest rate of 5.35%. 182,696

Total direct borrowings and direct placements 217,994

Total general long-term obligations \$ 1,889,649

**NEW BRANCHES CHARTER ACADEMY
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 \$217,994 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 \$647,712, as of June 30, 2025, are as follows:

Year Ending June 30,	General Obligation Bond		Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2026	\$ 93,531	\$ 86,184	\$ 87,445	\$ 8,492	\$ 275,652
2027	98,600	81,115	91,930	4,008	275,653
2028	103,944	75,771	30,714	450	210,879
2029	109,578	70,137	7,905	73	187,693
2030	115,518	64,197	-	-	179,715
2031 - 2035	678,576	219,999	-	-	898,575
2036 - 2038	471,908	37,286	-	-	509,194
	<u>\$ 1,671,655</u>	<u>\$ 634,689</u>	<u>\$ 217,994</u>	<u>\$ 13,023</u>	<u>\$ 2,537,361</u>

Interest expense on all outstanding obligations for the fiscal year ended June 30, 2025 was \$100,385.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2025 are as follows:

Receivable Fund		Payable Fund	
Nonmajor funds	<u>\$ 327,455</u>	General fund	<u>\$ 327,455</u>

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

NOTE 7 - TRANSFERS

Transfers between the governmental funds were as follows:

Transfers Out		Transfers In	
General fund	<u>\$ 179,715</u>	Debt service fund	<u>\$ 179,715</u>

Transfers were made from the general fund to the debt service fund to pay for principal and interest payments on capital financing bonds.

**NEW BRANCHES CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to Central Michigan University Board of Trustees, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2025 the Academy incurred expense of \$99,874 for oversight fees.

NOTE 9 - MANAGEMENT AGREEMENT

The Academy currently has a management agreement with Choice Schools Associates, LLC (Choice Schools) for operations of the Academy through June 2029. Under the terms of the management agreement, Choice Schools' compensation for operating the Academy was \$556,925 for the fiscal year 2025.

NOTE 10 - PURCHASED SERVICES

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

NOTE 11 - RISK MANAGEMENT

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

NOTE 12 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,

**NEW BRANCHES CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

- 4) Significant Capital Asset and Long-Term Financing Activity,
- 5) Currently Known Facts, Decisions, or Conditions;
- ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
- iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale.

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

REQUIRED SUPPLEMENTARY INFORMATION

**NEW BRANCHES CHARTER ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 128,000	\$ 280,124	\$ 288,866	\$ 8,742
State sources	4,860,371	4,602,697	4,499,838	(102,859)
Federal sources	387,878	395,311	377,480	(17,831)
Incoming transfers and other	162,929	235,408	224,943	(10,465)
TOTAL REVENUES	5,539,178	5,513,540	5,391,127	(122,413)
EXPENDITURES				
Instruction				
Basic programs	2,035,736	2,144,224	2,082,407	61,817
Added needs	660,087	585,565	561,127	24,438
Total instruction	2,695,823	2,729,789	2,643,534	86,255
Support services				
Pupil	172,719	250,409	243,020	7,389
Instructional staff	266,189	200,373	196,423	3,950
General administration	640,180	689,138	670,649	18,489
School administration	362,648	339,598	348,314	(8,716)
Business services	78,152	75,072	76,086	(1,014)
Operation and maintenance	463,784	478,759	424,544	54,215
Pupil transportation	279,999	269,705	266,500	3,205
Central support services	110,500	104,200	72,502	31,698
Other support services	5,444	4,947	1,720	3,227
Total support services	2,379,615	2,412,201	2,299,758	112,443
Community service	123,346	90,734	86,846	3,888
Capital outlay	-	281,103	280,943	160
Debt service				
Principal	85,554	80,957	64,955	16,002
Interest	94,161	9,392	9,392	-
Total debt service	179,715	90,349	74,347	16,002
TOTAL EXPENDITURES	5,378,499	5,604,176	5,385,428	218,748
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	160,679	(90,636)	5,699	96,335
OTHER FINANCING SOURCES (USES)				
Proceeds from lease	-	238,878	238,878	-
Transfers out	(179,715)	(179,715)	(179,715)	-
TOTAL OTHER FINANCING SOURCES (USES)	(179,715)	59,163	59,163	-
NET CHANGE IN FUND BALANCE	\$ (19,036)	\$ (31,473)	64,862	\$ 96,335
FUND BALANCE				
Beginning of year			2,017,747	
End of year			\$ 2,082,609	

ADDITIONAL SUPPLEMENTARY INFORMATION

**NEW BRANCHES CHARTER ACADEMY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
YEAR ENDED JUNE 30, 2025**

	Capital Projects Fund	Special Revenue (Food Service)	Total Nonmajor Funds
ASSETS			
Intergovernmental receivables	\$ -	\$ 4,501	\$ 4,501
Due from other funds	94,698	232,757	327,455
TOTAL ASSETS	\$ 94,698	\$ 237,258	\$ 331,956
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 7,654	\$ 7,654
FUND BALANCES			
Restricted for food service	-	229,604	229,604
Assigned for capital projects	94,698	-	94,698
TOTAL FUND BALANCES	94,698	229,604	324,302
TOTAL LIABILITIES AND FUND BALANCES	\$ 94,698	\$ 237,258	\$ 331,956

**NEW BRANCHES CHARTER ACADEMY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2025**

	Capital Projects Fund	Special Revenue (Food Service)	Total Nonmajor Funds
REVENUES			
State sources	\$ -	\$ 14,594	\$ 14,594
Federal sources	-	420,164	420,164
Incoming transfers and other	-	1,160	1,160
TOTAL REVENUES	-	435,918	435,918
EXPENDITURES			
Food service	-	444,366	444,366
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(8,448)	(8,448)
FUND BALANCES			
Beginning of year	94,698	238,052	332,750
End of year	\$ 94,698	\$ 229,604	\$ 324,302



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
📠 517.323.6346

**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
New Branches Charter Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Branches Charter Academy, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise New Branches Charter Academy's basic financial statements, and have issued our report thereon dated October 14, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Maney Costeiran PC

October 14, 2025



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

📠 517.323.6346

October 14, 2025

To the Board of Education
New Branches Charter Academy

In planning and performing our audit of the financial statements of New Branches Charter Academy as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered New Branches Charter Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated October 14, 2025 on the financial statements of New Branches Charter Academy. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

Food Service Fund Balance

Per Michigan Department of Education (MDE) guidelines, school food authorities (SFA) must operate food services on a nonprofit basis. We noted that the food service fund balance exceeded the three months' operating expenditures allowed. MDE requires that the SFA spend down the excess by the end of the next school year. We recommend that New Branches Charter Academy develop a plan to spend down the excess by June 30, 2026.

This report is intended solely for the information and use of management, and others within the Academy, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner Costerisan PC



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

🖨 517.323.6346

October 14, 2025

To the Board of Education
New Branches Charter Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Branches Charter Academy for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *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 New Branches Charter Academy are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2025. We noted no transactions entered into by the Academy 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 New Branches Charter Academy 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 these accounting estimates in determining that they are 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 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 the 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 14, 2025.

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.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Maney Costeiran PC