

**MULTICULTURAL ACADEMY**

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

**YEAR ENDED JUNE 30, 2025**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Multicultural Academy

### ***Opinions***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2025 on our consideration of Multicultural 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 Multicultural 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 Multicultural Academy's internal control over financial reporting and compliance.

*Manes Costeiran PC*

October 29, 2025

## MULTICULTURAL ACADEMY MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Multicultural Academy’s (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.

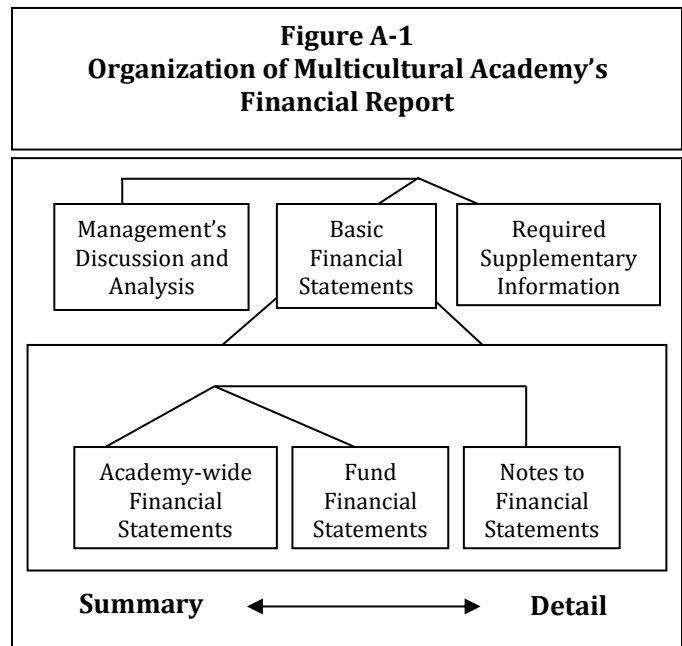
### Financial Highlights

- The Academy had an increase in the fund balance in the general fund of \$219,174 compared to a budgeted decrease of \$169,256. This gives the Academy a fund balance in the general fund of \$715,963.

### 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.

**MULTICULTURAL 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	* 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 obligations included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

**Academy-wide Statements**

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

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

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

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

## **MULTICULTURAL ACADEMY MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Fund Financial Statements**

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

- Some funds are required by state law and by debt agreements.
- The Academy establishes other funds to show that it is properly using certain revenues (like food services).

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 at the beginning of the fiscal year was \$936,053 and on June 30, 2025, it is \$1,068,086. See Figures A-3 and A-4.

The total revenues increased approximately 22.5% to \$4,780,262. This is mainly due to an increase in enrollment for the year ended June 30, 2025 resulting in an increase in state funding. State aid foundation allowance included in revenue from state sources accounts for 67.7% of the Academy's revenue.

The total cost of instruction increased approximately 19.3% to \$1,554,422 mainly due to additional personnel costs. Total support services increased approximately 29.7% to \$2,106,978 mainly due to additional personnel costs.

**MULTICULTURAL ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Academy Governmental Activities**

<b>Figure A-3 Multicultural Academy Net Position</b>		
	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 1,714,066	\$ 1,138,675
Capital assets	<u>1,934,045</u>	<u>559,676</u>
Total assets	<u>3,648,111</u>	<u>1,698,351</u>
Other liabilities	861,811	603,156
Noncurrent liabilities	<u>1,718,214</u>	<u>159,142</u>
Total liabilities	<u>2,580,025</u>	<u>762,298</u>
Net position		
Net investment in capital assets	215,831	400,534
Restricted for special revenue (food service)	71,022	38,730
Unrestricted	<u>781,233</u>	<u>496,789</u>
Total net position	<u><u>\$ 1,068,086</u></u>	<u><u>\$ 936,053</u></u>

**MULTICULTURAL ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

<b>Figure A-4 Changes in Multicultural Academy's Net Position</b>		
	2025	2024
<b>Revenues</b>		
Program revenues		
Operating grants and contributions	\$ 1,432,732	\$ 1,255,625
<b>General sources</b>		
State sources - unrestricted	3,236,526	2,607,546
Other local sources	50,153	14,539
ISD sources	60,851	23,083
Total general revenues	3,347,530	2,645,168
Total revenues	4,780,262	3,900,793
<b>Expenses</b>		
Instruction	1,554,422	1,302,705
Support services	2,106,978	1,625,022
Community services	5,821	747
Food service	263,903	252,909
Interest and fees	65,798	12,587
Unallocated depreciation/amortization	651,307	476,971
Total expenses	4,648,229	3,670,941
Change in net position	\$ 132,033	\$ 229,852

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

The Academy's general fund balance increased by \$219,174 to \$715,963. Instruction expenditures increased by \$233,029 and support services expenditures increased by \$160,683.

**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 the revenue and expenditures which reflected anticipated increases in state aid and actual salary figures for staff.

While the Academy's final budget for the general fund anticipated expenditures and other financing uses would exceed revenues and other financing sources by \$169,256, the actual results for the year showed revenues and other financing sources exceeded expenditures and other financing uses by \$219,174. Actual revenues were \$326,460 less than budgeted mainly due to less than expected state funding.

**MULTICULTURAL ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Actual total expenditures were \$1,216,110 more than budgeted. The primary cause of the variance was due to the Academy experiencing higher than expected capital outlay related to new lease obligations.

**Capital Assets**

As of the year ended June 30, 2025, the Academy had invested \$1,934,045 in capital assets net of accumulated depreciation/amortization as summarized in Figure A-5. This amount represents a net increase of \$1,374,369 from the beginning of the year. Total depreciation/amortization expense for the year was \$651,307. More detailed information about capital assets can be found in Note 3 to the financial statements.

The Academy's capital assets are as follows:

<b>Figure A-5 Multicultural Academy's Capital Assets</b>				
	2025			2024
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Technology	\$ 107,592	\$ 75,308	\$ 32,284	\$ 53,802
Buses and other vehicles	59,326	22,742	36,584	165,615
Furniture and fixtures	217,007	180,957	36,050	43,098
Leasehold improvements	548,651	437,861	110,790	103,389
Machinery and equipment	6,698	319	6,379	-
Right to use - building	1,710,804	427,701	1,283,103	-
Right to use - equipment	24,268	7,685	16,583	21,437
Right to use - vehicles	541,734	148,799	392,935	136,293
Right to use - subscription-based IT	54,488	35,151	19,337	36,042
<b>Total</b>	<b>\$ 3,270,568</b>	<b>\$ 1,336,523</b>	<b>\$ 1,934,045</b>	<b>\$ 559,676</b>

**Long-term Obligations**

At year end, the Academy had total long-term obligations of \$1,718,214, consisting of various lease obligations. The Academy continued to pay down its obligations, retiring \$521,258 of outstanding obligations. There were also four new bus leases and one new building lease in the current year. See Note 6 for more information.

**MULTICULTURAL ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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 adopted a general fund budget for 2025-2026 in which revenue would exceed expenditures by \$16,833. Adjustments to the original budget will be made based on actual enrollment during the 2025-2026 school year.
- In August of 2025, the Academy borrowed \$650,000 under a state aid anticipation note at 5.95% to be repaid in full by August of 2026.

**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 Terry Farha at Universal Management Company, 5550 Platt Road, Ann Arbor, Michigan, 48108.

## **BASIC FINANCIAL STATEMENTS**

**MULTICULTURAL ACADEMY  
STATEMENT OF NET POSITION  
JUNE 30, 2025**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 402,360
Intergovernmental receivable	827,778
Prepays and deposits	483,928
Capital assets, net of accumulated depreciation/amortization	1,934,045
<b>TOTAL ASSETS</b>	<b>3,648,111</b>
<b>LIABILITIES</b>	
Accounts payable	2,800
Accrued oversight	21,769
Accrued salaries and related items	209,657
Unearned revenue	543,042
State aid anticipation note payable	83,917
Accrued interest	626
Noncurrent liabilities:	
Due within one year	595,222
Due in more than one year	1,122,992
<b>TOTAL LIABILITIES</b>	<b>2,580,025</b>
<b>NET POSITION</b>	
Net investment in capital assets	215,831
Restricted for special revenue (food service)	71,022
Unrestricted	781,233
<b>TOTAL NET POSITION</b>	<b>\$ 1,068,086</b>

See notes to financial statements.

**MULTICULTURAL ACADEMY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 1,554,422	\$ -	\$ 896,969	\$ (657,453)
Support services	2,106,978	-	179,937	(1,927,041)
Community services	5,821	-	1,273	(4,548)
Food service	263,903	-	354,553	90,650
Interest and fees	65,798	-	-	(65,798)
Unallocated depreciation/amortization	651,307	-	-	(651,307)
Total governmental activities	<u>\$ 4,648,229</u>	<u>\$ -</u>	<u>\$ 1,432,732</u>	<u>(3,215,497)</u>
General revenues				
State sources - unrestricted				3,236,526
Local sources				50,153
ISD sources				<u>60,851</u>
Total general revenues				<u>3,347,530</u>
CHANGE IN NET POSITION				132,033
Net position, beginning of year				<u>936,053</u>
Net position, end of year				<u>\$ 1,068,086</u>

See notes to financial statements.

**MULTICULTURAL ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2025**

	General Fund	Nonmajor Governmental (Special Revenue) Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 402,360	\$ -	\$ 402,360
Intergovernmental receivable	827,778	-	827,778
Due from other funds	-	71,022	71,022
Prepaid expenditures and deposits	483,928	-	483,928
<b>TOTAL ASSETS</b>	<b>\$ 1,714,066</b>	<b>\$ 71,022</b>	<b>\$ 1,785,088</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,800	\$ -	\$ 2,800
Unearned revenue	543,042	-	543,042
Accrued oversight	21,769	-	21,769
Accrued salaries and related items	209,657	-	209,657
State aid anticipation note payable	83,917	-	83,917
Accrued interest	626	-	626
Due to other funds	71,022	-	71,022
<b>TOTAL LIABILITIES</b>	<b>932,833</b>	<b>-</b>	<b>932,833</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	65,270	-	65,270
<b>FUND BALANCES</b>			
<b>Nonspendable</b>			
Prepaid expenditures and deposits	483,928	-	483,928
<b>Restricted</b>			
Food service	-	71,022	71,022
Unassigned	232,035	-	232,035
<b>TOTAL FUND BALANCES</b>	<b>715,963</b>	<b>71,022</b>	<b>786,985</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,714,066</b>	<b>\$ 71,022</b>	<b>\$ 1,785,088</b>

See notes to financial statements.

**MULTICULTURAL ACADEMY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2025**

<b>Total governmental fund balance</b>		\$ 786,985
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred inflows of resources - unavailable revenues		65,270
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	\$ 3,270,568	
Accumulated depreciation/amortization is	<u>(1,336,523)</u>	1,934,045
Long-term obligations are not due and payable in the current period and are not reported in the funds:		
Direct borrowings and direct placements		<u>(1,718,214)</u>
<b>Net position of governmental activities</b>		<u><u>\$ 1,068,086</u></u>

**MULTICULTURAL ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2025**

	General Fund	Nonmajor Governmental (Special Revenue) Fund	Total Governmental Funds
<b>REVENUES</b>			
Local sources	\$ 50,153	\$ -	\$ 50,153
State sources	3,968,236	10,037	3,978,273
Federal sources	281,199	344,516	625,715
Incoming transfers	60,851	-	60,851
<b>TOTAL REVENUES</b>	<b>4,360,439</b>	<b>354,553</b>	<b>4,714,992</b>
<b>EXPENDITURES</b>			
Instruction			
Basic programs	815,833	-	815,833
Added needs	738,589	-	738,589
<b>Total instruction</b>	<b>1,554,422</b>	<b>-</b>	<b>1,554,422</b>
Support services			
Pupil	89,894	-	89,894
Instructional staff	138,351	-	138,351
General administration	625,995	-	625,995
School administration	164,882	-	164,882
Business services	15,487	-	15,487
Operation and maintenance	403,743	-	403,743
Transportation	402,617	-	402,617
Central services	210,142	-	210,142
<b>Total support services</b>	<b>2,051,111</b>	<b>-</b>	<b>2,051,111</b>

See notes to financial statements.

**MULTICULTURAL ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2025**

	General Fund	Nonmajor Governmental (Special Revenue) Fund	Total Governmental Funds
EXPENDITURES (continued)			
Food service	\$ -	\$ 263,903	\$ 263,903
Community services	5,821	-	5,821
Capital outlay	1,921,296	197,997	2,119,293
Debt service			
Principal	475,773	45,485	521,258
Interest	59,623	6,175	65,798
Total debt service	535,396	51,660	587,056
TOTAL EXPENDITURES	6,068,046	513,560	6,581,606
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,707,607)	(159,007)	(1,866,614)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	37,750	-	37,750
Proceeds from leases	1,889,031	191,299	2,080,330
TOTAL OTHER FINANCING SOURCES (USES)	1,926,781	191,299	2,118,080
NET CHANGE IN FUND BALANCES	219,174	32,292	251,466
FUND BALANCES			
Beginning of year	496,789	38,730	535,519
End of year	\$ 715,963	\$ 71,022	\$ 786,985

See notes to financial statements.

**MULTICULTURAL 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** \$ 251,466

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:

Depreciation/amortization expense	(651,307)
Capital outlay	2,138,523
Net book value of capital assets disposed	(112,847)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available.

Unavailable revenues, beginning of year	-
Unavailable revenues, end of year	65,270

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 leases	(2,080,330)
Principal repayment on long-term obligations	<u>521,258</u>

**Change in net position of governmental activities** \$ 132,033

**MULTICULTURAL 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. The Academy currently does not have fiduciary activities. Governmental activities normally are supported by intergovernmental revenues.

Reporting Entity

Multicultural Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Bay Mills Community College is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school academy through June 2028. Board members are approved by the authorizing governing 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.

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 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 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 *Nonmajor Governmental 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 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.

**MULTICULTURAL ACADEMY  
NOTES TO 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 at 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 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.

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 state-wide 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.

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.

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**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.

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.
- 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.

**MULTICULTURAL 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)

*Prepays*

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

*Capital Assets*

Capital assets, 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 \$1,000 and a useful life in excess of one 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 or subscription 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
Technology	5
Buses and other vehicles	10
Furniture and fixtures	7
Leasehold improvements	10 - 15
Machinery and equipment	7
Right to use - building	4
Right to use - equipment	5
Right to use - vehicles	2 - 4
Right to use - subscription-based IT	2 - 4

*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.

**MULTICULTURAL 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)

*Net Position Flow Assumption*

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

*Fund Balance Flow Assumptions*

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

*Fund Balance Policies*

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

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

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. 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.

**MULTICULTURAL 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*

The Academy is a lessee for noncancelable leases of equipment, building, and vehicles. 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.

*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.

**MULTICULTURAL 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)*

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.

*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.

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

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

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2025, \$191,062 of the Academy's bank balance of \$441,062 was exposed to custodial credit risk because it was uninsured and uncollateralized. These deposits have a carrying value of \$402,360.

**NOTE 3 - CAPITAL ASSETS**

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

	Balance <u>July 1, 2024</u>	Additions	Disposals	Balance <u>June 30, 2025</u>
Governmental activities				
Capital assets, being depreciated/amortized				
Technology	\$ 107,592	\$ -	\$ -	\$ 107,592
Buses and other vehicles	230,480	-	171,154	59,326
Furniture and fixtures	217,007	-	-	217,007
Leasehold improvements	497,156	51,495	-	548,651
Machinery and equipment	-	6,698	-	6,698
Right to use - building	896,974	1,710,804	896,974	1,710,804
Right to use - equipment	24,268	-	-	24,268
Right to use - vehicles	172,208	369,526	-	541,734
Right to use - subscription-based IT	54,488	-	-	54,488
	<u>2,200,173</u>	<u>2,138,523</u>	<u>1,068,128</u>	<u>3,270,568</u>
Total capital assets being depreciated/amortized				
Accumulated depreciation/amortization				
Technology	53,790	21,518	-	75,308
Buses and other vehicles	64,865	16,184	58,307	22,742
Furniture and fixtures	173,909	7,048	-	180,957
Leasehold improvements	393,767	44,094	-	437,861
Machinery and equipment	-	319	-	319
Right to use - building	896,974	427,701	896,974	427,701
Right to use - equipment	2,831	4,854	-	7,685
Right to use - vehicles	35,915	112,884	-	148,799
Right to use - subscription-based IT	18,446	16,705	-	35,151
	<u>1,640,497</u>	<u>651,307</u>	<u>955,281</u>	<u>1,336,523</u>
Total accumulated depreciation/amortization				
Net governmental capital assets	<u>\$ 559,676</u>	<u>\$ 1,487,216</u>	<u>\$ 112,847</u>	<u>\$ 1,934,045</u>

Depreciation/amortization for the fiscal year ended June 30, 2025 amounted to \$651,307. The Academy determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

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

	Government - wide
State sources	\$ 610,729
Federal sources	217,049
	\$ 827,778

Intergovernmental receivables include amounts due from federal and state sources for various projects and programs and are considered fully collectible by management.

Because of the Academy's favorable collection experience on intergovernmental receivables, no allowance for doubtful accounts has been recorded.

**NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE**

At June 30, 2025, the Academy has \$83,917 outstanding from its state aid anticipation note dated August 2024. The note, which has an interest rate of 5.90%, matures August 2025. The proceeds of the note were used to fund Academy operations. In the event of a default on the note, the state may impose a penalty interest rate at the state's discretion, accelerate the repayment terms. The note is secured by the full faith and credit of the Academy as well as future state school aid payments.

Balance July 1, 2024	Additions	Payments	Balance June 30, 2025
\$ 84,025	\$ 450,000	\$ 450,108	\$ 83,917

**NOTE 6 - LONG-TERM OBLIGATIONS**

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

	Notes from Direct Borrowings and Direct Placements
Balance, July 1, 2024	\$ 159,142
Additions	2,080,330
Repayments	(521,258)
Balance, June 30, 2025	1,718,214
Due within one year	595,222
Due in more than one year	\$ 1,122,992

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS (continued)**

Long-term obligations at June 30, 2025 are comprised of the following issues:

Direct Borrowings and Direct Placements

During the 2025 fiscal year, Multicultural Academy entered into a four-year lease agreement as lessee for the use of a building and its facilities. Multicultural Academy is required to make monthly principal and interest payments of \$38,500. The lease has an interest rate of 4%. \$ 1,304,024

During the 2024 fiscal year, Multicultural Academy entered into a five-year lease agreement as lessee for the use of copiers. Multicultural Academy is required to make monthly principal and interest payments of \$445. The lease has an interest rate of 4%. 17,043

During the 2024 fiscal year, Multicultural Academy entered into a two-year and ten month lease agreement as lessee for the use of a bus. Multicultural Academy is required to make monthly principal and interest payments of \$2,388. The lease has an interest rate of 4%. 28,045

During the 2024 fiscal year, Multicultural Academy entered into a three-year and seven month lease agreement as lessee for the use of a bus. Multicultural Academy is required to make monthly principal and interest payments of \$2,375. The lease has an interest rate of 4%. 56,878

During the 2025 fiscal year, Multicultural Academy entered into a two-year and ten month lease agreement as lessee for the use of a bus. Multicultural Academy is required to make monthly principal and interest payments of \$2,869. The lease has an interest rate of 4%. 66,068

During the 2025 fiscal year, Multicultural Academy entered into a three-year and six month lease agreement as lessee for the use of a bus. Multicultural Academy is required to make monthly principal and interest payments of \$3,053. The lease has an interest rate of 4%. 103,407

During the 2025 fiscal year, Multicultural Academy entered into a two-year and six month lease agreement as lessee for the use of a bus. Multicultural Academy is required to make monthly principal and interest payments of \$1,985. The lease has an interest rate of 4%. 47,538

During the 2025 fiscal year, Multicultural Academy entered into a three-year and two month lease agreement as lessee for the use of a bus. Multicultural Academy is required to make monthly principal and interest payments of \$2,811. The lease has an interest rate of 4%. 95,211

Total general long-term obligations \$ 1,718,214

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS (continued)**

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of \$1,718,214 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 \$103,673, as of June 30, 2025, are as follows:

Year Ending June 30,	Direct Borrowings and Direct Placements		Total
	Principal	Interest	
2026	\$ 595,222	\$ 57,895	\$ 653,117
2027	590,285	34,176	624,461
2028	530,502	11,580	542,082
2029	2,205	22	2,227
	\$ 1,718,214	\$ 103,673	\$ 1,821,887

Interest expense (all funds) for the year ended June 30, 2025 was \$65,798.

**NOTE 7 - OVERSIGHT FEES**

The Academy pays an administrative oversight fee of 3% of its state school aid to the Bay Mills Community College, as set forth by contract, to reimburse the College 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 approximately \$132,000 for oversight fees.

**NOTE 8 - MANAGEMENT AGREEMENT**

The Academy has a management agreement with Universal Management Company, LLC (UMC) for operation of the Academy through June 30, 2028. Under the terms of the management agreement, the total management fee incurred for operation of the Academy was approximately \$347,300 to UMC for the fiscal year 2025.

**NOTE 9 - PURCHASED SERVICES**

The Academy leased all employee services from Universal Management Company, LLC (UMC). Salaries, retirement, social security, health insurance, and unemployment taxes were the responsibility of UMC. The Academy has a prepaid balance of \$480,928 for purchased services at June 30, 2025.

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - CONCENTRATION OF EXPENDITURES - RELATED PARTY TRANSACTIONS**

The Academy leases facilities as well as purchases management services and personnel costs from a group of related entities. The types of purchases and amounts for the fiscal year ended June 30, 2025 are as follows:

Entity	Transaction Type	Building	Total
Leasing transactions			
Ahmed Farha for the benefit of Farha and Associates - Ann Arbor, LLC	Lease agreement	\$ 462,000	\$ 462,000
Other related party transactions			
Universal Management Company	Management services		\$ 347,300
Universal Management Company	Personnel costs		2,160,822
Universal Management Company	Prepaid personnel costs and other		480,928

**NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES**

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

Receivable Fund		Payable Fund	
Nonmajor fund	\$ 71,022	General fund	\$ 71,022

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

**NOTE 12 - 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 13 - 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 14 - SUBSEQUENT EVENT**

The Academy borrowed \$650,000 under a state aid anticipation note in August 2025 at 5.95% to be repaid monthly from October 2025 through August 2026.

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT**

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

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

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 capitals 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 Agreements*, 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**

**MULTICULTURAL ACADEMY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local sources	\$ 5,000	\$ 88,000	\$ 50,153	\$ (37,847)
State sources	3,396,804	4,261,582	3,968,236	(293,346)
Federal sources	209,720	281,728	281,199	(529)
Incoming transfers	17,900	55,589	60,851	5,262
<b>TOTAL REVENUES</b>	<b>3,629,424</b>	<b>4,686,899</b>	<b>4,360,439</b>	<b>(326,460)</b>
<b>EXPENDITURES</b>				
Instruction				
Basic programs	896,203	859,311	815,833	43,478
Added needs	376,688	1,047,654	738,589	309,065
<b>Total instruction</b>	<b>1,272,891</b>	<b>1,906,965</b>	<b>1,554,422</b>	<b>352,543</b>
Support services				
Pupil	86,800	91,104	89,894	1,210
Instructional staff	103,100	148,989	138,351	10,638
General administration	510,000	636,500	625,995	10,505
School administration	123,650	191,300	164,882	26,418
Business	17,000	17,300	15,487	1,813
Operation and maintenance	301,875	481,875	403,743	78,132
Transportation	387,350	437,450	402,617	34,833
Central	155,925	244,653	210,142	34,511
<b>Total support services</b>	<b>1,685,700</b>	<b>2,249,171</b>	<b>2,051,111</b>	<b>198,060</b>
Community services	-	7,300	5,821	1,479
Capital outlay	185,000	130,000	1,921,296	(1,791,296)
Debt service				
Principal	484,878	558,500	475,773	82,727
Interest	-	-	59,623	(59,623)
<b>Total debt service</b>	<b>484,878</b>	<b>558,500</b>	<b>535,396</b>	<b>23,104</b>
<b>TOTAL EXPENDITURES</b>	<b>3,628,469</b>	<b>4,851,936</b>	<b>6,068,046</b>	<b>(1,216,110)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>955</b>	<b>(165,037)</b>	<b>(1,707,607)</b>	<b>(1,542,570)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,127)	(4,219)	-	4,219
Proceeds from sale of capital assets	-	-	37,750	37,750
Proceeds from leases	-	-	1,889,031	1,889,031
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,127)</b>	<b>(4,219)</b>	<b>1,926,781</b>	<b>1,931,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (172)</b>	<b>\$ (169,256)</b>	<b>219,174</b>	<b>\$ 388,430</b>
<b>FUND BALANCE</b>				
Beginning of year			496,789	
End of year			<u>\$ 715,963</u>	



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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  
Multicultural 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, the major fund, and the aggregate remaining fund information of Multicultural Academy, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Multicultural Academy's basic financial statements, and have issued our report thereon dated October 29, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Multicultural 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 Multicultural Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Multicultural 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 Multicultural 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 29, 2025



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October 29, 2025

To the Board of Education  
Multicultural Academy

In planning and performing our audit of the financial statements of Multicultural 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 Multicultural 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 29, 2025 on the financial statements of Multicultural 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:

**Universal Management Company (UMC) Payment Reconciliation**

We noted that certain payments to UMC are not being used for the intended recorded purpose of payroll. We recommend that Multicultural Academy clearly identify and use the payments to UMC according to the classification of the payment (payroll for payroll, management fee for management fee, etc.)

**Bid Threshold**

We noted that no bid was executed for procurement expenditures related to the new fencing that exceeded the bid threshold (\$30,512 threshold for the year ended June 30, 2025). We recommend that Multicultural Academy go out for bids and maintain the proper documentation for all procurement that exceeds the bid threshold.

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*



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October 29, 2025

To the Board of Directors  
Multicultural Academy

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Multicultural 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 and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Multicultural 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 is based on Multicultural Academy's 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 29, 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.

### Restriction on Use

This information is intended solely for the use of the Board of Education and management of Multicultural 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*