HANLEY INTERNATIONAL ACADEMY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED JUNE 30, 2026

Maner Costerisan

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT 1-3

MANAGEMENT'S DISCUSSION AND ANALYSIS 4-11

BASIC FINANCIAL STATEMENTS 12

Government-wide Financial Statements
Statement of Net Position 13
Statement of Activities 14

Fund Financial Statements
Balance Sheet - Governmental Funds 15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 17

Notes to Financial Statements 18-29

REQUIRED SUPPLEMENTARY INFORMATION 30

Budgetary Comparison Schedule - General Fund 31

Notes to Required Supplementary Information 32-34

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* 35-36

Maner Costerisan

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

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Hanley International Academy

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanley International Academy, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Hanley International 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 Hanley International Academy, as of June 30, 2026, 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 Hanley International 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 Hanley International 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 Hanley International 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 Hanley International 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 26, 2026 on our consideration of Hanley International 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 Hanley International 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 Hanley International Academy's internal control over financial reporting and compliance.

Maner Costerisan PC

Lansing, Michigan
October 26, 2026

HANLEY INTERNATIONAL ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

If you have any questions about this report or need any additional information, please contact the Academy's management company, the Romine Group, at 7877 Stead Street, Utica, Michigan 48317 (586) 731-5300.

OVERVIEW OF THE FINANCIAL STATEMENTS

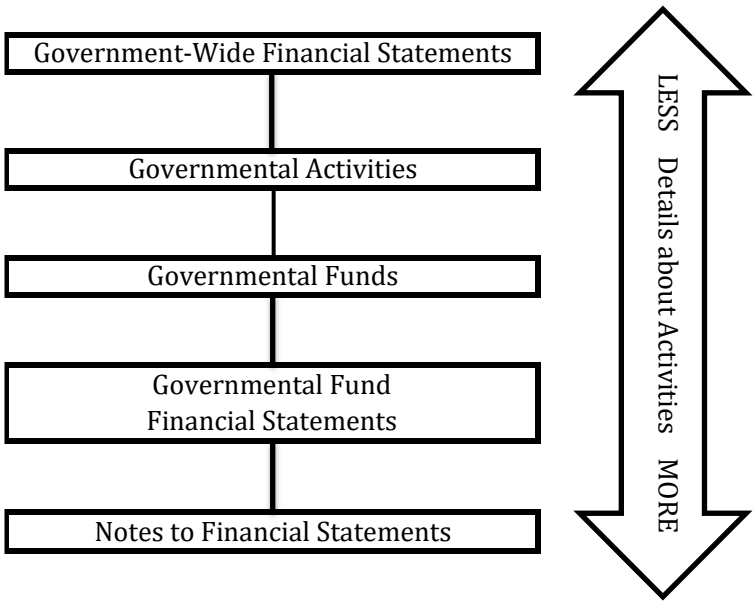
The Academy's financial report contains basic financial statements. Those financial statements present the Academy's finances at both an overall and a detailed level. The first two – the *government-wide financial statements* – cover the Academy's governmental activities. (See the diagram in Figure A-1.)

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

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

- *Governmental Fund Financial Statements* report all of the governmental activities. In addition to the Academy's main operating fund - the general fund - those financial statements report a special revenue fund that tracks the use of restricted funding sources and a debt service fund to record the repayment of outstanding bonds.

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



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

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

ANALYSIS OF THE ACADEMY'S FINANCES

Table A-1
Hanley International Academy's Net Position

	2026	2025*	Dollar Change	Total Percentage Change
Current assets	$ 5,996,477	$ 5,619,397	$ 377,080	6.7%
Capital assets	8,264,741	8,428,902	(164,161)	-1.9%
Total assets	14,261,218	14,048,299	212,919	1.5%
Current liabilities	3,000,698	2,654,784	345,914	13.0%
Noncurrent liabilities	5,965,926	6,218,003	(252,077)	-4.1%
Total liabilities	8,966,624	8,872,787	93,837	1.1%
Net position				
Net investment in capital assets	2,298,815	2,210,899	87,916	4.0%
Restricted for debt service	292,730	302,013	(9,283)	-3.1%
Restricted for food service	226,303	246,570	(20,267)	-8.2%
Unrestricted	2,476,746	2,416,030	60,716	2.5%
Total net position	$ 5,294,594	$ 5,175,512	$ 119,082	2.3%

*Certain amounts in the prior year figures have been reclassified.

Table A-1 shows that as of June 30, 2026, the Academy's total net position - assets minus liabilities - was $5,294,594, an increase of $119,082 or 2.3% compared with 2025. This increase is primarily due to an $87,916 or 4.0% increase in the net investment in capital assets. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in an increase in net position. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

1. Increases in grant revenues, particularly related to categorical state funding.
2. Increase in state sources revenue due to increases in student enrollment.
3. Increase in expenses for certain programs and functions.

Table A-2
Changes in Hanley International Academy's Net Position

	2026	2025*	Dollar Change	Total Percentage Change
Revenues				
Program revenues				
Charges for services	$ 14,393	$ 17,193	$ (2,800)	-16.3%
Operating grants and contributions	3,895,712	3,584,412	311,300	8.7%
General revenues				
Investment earnings	62,179	35,590	26,589	74.7%
State sources - unrestricted	6,726,465	6,652,979	73,486	1.1%
ISD sources	464,750	350,529	114,221	32.6%
Other	88,554	68,070	20,484	30.1%
Total revenues	11,252,053	10,708,773	543,280	5.1%
Expenses				
Instruction	5,850,301	5,405,130	445,171	8.2%
Support services	3,945,143	3,806,308	138,835	3.6%
Community services	1,757	1,651	106	6.4%
Food service	657,076	653,941	3,135	0.5%
Interest and fees	260,720	247,433	13,287	5.4%
Unallocated depreciation/amortization	417,974	490,679	(72,705)	-14.8%
Total expenses	11,132,971	10,605,142	527,829	5.0%
Change in net position	119,082	103,631	$ 15,451	14.9%
Net position - beginning of year	5,175,512	5,071,881		2.0%
Net position - end of year	$ 5,294,594	$ 5,175,512		2.3%

*Certain amounts in the prior year figures have been reclassified.

Increase in Operating Grants and Contributions

There were notable increases in operating grants and contributions compared to the prior year, which accounts for 34.6% of overall revenues. Most of the increase is attributed to an increase in allocation and recognition of state categorical funding mainly for 31a At Risk, 35m Literacy Supports, and 31aa Mental Health Grant.

Increase in State Sources

State sources increased in the current year compared to the prior year, which accounts for 59.8% of overall revenues. State sources is a product of student counts multiplied by the foundation allowance. The foundation allowance increased by $442 per pupil in 2026 along with a student enrollment increase of approximately 3 students. The increase in the student count combined with the increase in the foundation allowance led to the increase in state sources.

Increase in Expenses

Total expenses for the Academy increased by 5.0% overall. The increase was mainly due to increased staffing costs and supplies purchases due to the increased enrollment and increased allocation of state categorical funding.

GOVERNMENTAL FUNDS

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

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

	General Fund		Debt Service Fund	
	2026	2025	2026	2025
REVENUES	$ 10,543,488	$ 10,014,453	$ 45,432	$ 31,008
EXPENDITURES	10,036,825	9,522,256	561,025	540,911
Excess (deficiency) of revenues over (under) expenditures	506,663	492,197	(515,593)	(509,903)
OTHER FINANCING SOURCES (USES)				
Proceeds from lease	46,106	-	-	-
Transfers in	10,000	-	502,053	535,741
Transfers out	(502,053)	(535,741)	-	-
Total other financing sources (uses)	(445,947)	(535,741)	502,053	535,741
Net change in fund balance	60,716	(43,544)	(13,540)	25,838
Fund balance - beginning of year	2,416,030	2,459,574	390,896	365,058
Fund balance - end of year	$ 2,476,746	$ 2,416,030	$ 377,356	$ 390,896

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

General Fund

The fund balance of the Academy's general fund increased by 2.5%. The increase in fund balance is attributable to an increase in revenues (previously discussed).

The overall fund balance at the end of June 30, 2026 represented approximately 24.7% of operating expenditures. The Academy aims to have a minimum fund balance of 10% of operating expenditures. Within fund balance, approximately 94.9% of the balance is considered unassigned. The remaining 5.1% is considered either restricted, committed, or assigned for other items and is not readily available for use.

Debt Service Fund

The fund balance for the debt service fund is considered to be 100% restricted. This means that the fund balance can only be used for the restricted purpose of that fund and is not readily available for use. Activity in the fund is associated with investment earnings and payments on long-term obligations.

SIGNIFICANT CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets - original cost minus accumulated depreciation/amortization - decreased 1.9% compared to 2025. See Table A-4 for the carrying value of capital assets.

Table A-4
Hanley International Academy's Capital Assets

	2026			2025*	
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value	Total Percentage Change
Land	$ 942,471	$ -	$ 942,471	$ 942,471	0.0%
Building and improvements	9,924,347	2,964,729	6,959,618	7,265,229	-4.2%
Furniture and equipment	829,828	648,483	181,345	109,196	66.1%
Technology	289,205	227,961	61,244	94,367	-35.1%
Right-to-use - subscription-based IT arrangements	111,051	42,683	68,368	-	100.0%
Right-to-use - leased equipment	71,257	19,562	51,695	17,639	193.1%
Total	$ 12,168,159	$ 3,903,418	$ 8,264,741	$ 8,428,902	-1.9%

*Certain amounts in the prior year figures have been reclassified.

A significant reason for the decrease in the net capital assets relates to depreciation/amortization expense during the year outpacing the additions of capital assets during the year, resulting in a net decrease in capital assets. The Academy had additions of furniture and equipment of $96,656, right-to-use - subscription based IT arrangements of $111,051, and right-to-use - leased equipment of $46,106. The Academy had disposals of $309,938 for right-to-use - subscription based IT arrangements and $42,671 for right-to-use - leased equipment.

Long-term Obligations

Overall the carrying value of the Academy's long-term obligations decreased by 4.1% from the prior year. See Table A-5 for the carrying value of the Academy's long-term obligations.

Table A-5
Hanley International Academy's
Outstanding Long-Term Obligations

	2026	2025	Total Percentage Change
General obligation bonds	$ 5,912,466	$ 6,199,578	-4.6%
Notes from direct borrowings and direct placements	53,460	18,425	190.1%
	$ 5,965,926	$ 6,218,003	-4.1%

During 2026 the Academy entered into a five-year lease agreement for copiers. This is the primary reason for the increase in notes from direct borrowings. The overall decrease in long-term obligations is due to the Academy continuing to pay down long-term obligations related to the Academy's general obligation bonds and leases for copiers. The total amount of principal paid in the current year was $276,071. In addition, there was also $22,112 in amortization of bond premium.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

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

- The Academy will receive a $250 increase in per-pupil state aid for the 2026-27 school year. This additional funding will help strengthen the Academy's financial stability and support the educational experience for students and staff retention.

- The Academy adopted a general fund budget for the 2026-27 school year in which expenditures and other financing uses are expected to exceed revenues and other financing sources by $121,505.

- The Academy focuses on maintaining staffing levels and expenditures in accordance with changes in student count.

- The Academy prioritizes effective use of available federal sources and state sources funding.

BASIC FINANCIAL STATEMENTS

HANLEY INTERNATIONAL ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 2,443,522
Intergovernmental receivable	2,523,198
Prepaids	5,877
Restricted cash and cash equivalents - debt service	1,023,880
Capital assets not being depreciated	942,471
Capital assets, net of accumulated depreciation/amortization	7,322,270
TOTAL ASSETS	14,261,218
LIABILITIES	
Accounts payable	617,122
Accrued purchased services - payroll and related	762,710
Accrued expenses	182,161
Unearned revenue	868,904
Intergovernmental payable	485,175
Accrued interest	84,626
Noncurrent liabilities	
Due within one year	288,551
Due in more than one year	5,677,375
TOTAL LIABILITIES	8,966,624
NET POSITION	
Net investment in capital assets	2,298,815
Restricted for debt service	292,730
Restricted for food service	226,303
Unrestricted	2,476,746
TOTAL NET POSITION	$ 5,294,594

See notes to financial statements.

HANLEY INTERNATIONAL ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 5,850,301	$ -	$ 2,528,781	$ (3,321,520)
Support services	3,945,143	14,393	702,098	(3,228,652)
Community services	1,757	-	1,700	(57)
Food service	657,076	-	663,133	6,057
Interest and fees	260,720	-	-	(260,720)
Unallocated depreciation/amortization	417,974	-	-	(417,974)
Total governmental activities	$ 11,132,971	$ 14,393	$ 3,895,712	(7,222,866)
General revenues				
Investment earnings				62,179
State sources - unrestricted				6,726,465
ISD sources				464,750
Other				88,554
Total general revenues				7,341,948
CHANGE IN NET POSITION				119,082
Net position, beginning of year				5,175,512
Net position, end of year				$ 5,294,594

See notes to financial statements.

HANLEY INTERNATIONAL ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	General Fund	Debt Service Fund	Nonmajor Governmental (Special Revenue) Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 2,443,522	$ -	$ -	$ 2,443,522
Intergovernmental receivable	2,523,198	-	-	2,523,198
Due from other funds	-	-	226,303	226,303
Prepaids	5,877	-	-	5,877
Restricted cash and cash equivalents	161,349	862,531	-	1,023,880
TOTAL ASSETS	$ 5,133,946	$ 862,531	$ 226,303	$ 6,222,780
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 617,122	$ -	$ -	$ 617,122
Accrued purchased services - payroll and related	762,710	-	-	762,710
Accrued expenditures	182,161	-	-	182,161
Unearned revenue	868,904	-	-	868,904
Intergovernmental payable	-	485,175	-	485,175
Due to other funds	226,303	-	-	226,303
TOTAL LIABILITIES	2,657,200	485,175	-	3,142,375
FUND BALANCES				
Nonspendable				
Prepaids	5,877	-	-	5,877
Restricted				
Debt service	-	377,356	-	377,356
Food service	-	-	226,303	226,303
Assigned for subsequent year's expenditures	121,505	-	-	121,505
Unassigned	2,349,364	-	-	2,349,364
TOTAL FUND BALANCES	2,476,746	377,356	226,303	3,080,405
TOTAL LIABILITIES AND FUND BALANCES	$ 5,133,946	$ 862,531	$ 226,303	$ 6,222,780

Total governmental fund balances		$ 3,080,405
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	$ 12,168,159	
Accumulated depreciation/amortization is	(3,903,418)	
		8,264,741
Long-term obligations are not due and payable in the current period and are not reported in the funds:		
Notes from direct borrowings and direct placements		(53,460)
General obligation bonds		(5,912,466)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid:		
Accrued interest		(84,626)
Net position of governmental activities		$ 5,294,594

See notes to financial statements.

HANLEY INTERNATIONAL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

	General Fund	Debt Service Fund	Nonmajor Governmental (Special Revenue) Fund	Total Governmental Funds
REVENUES				
Local sources	$ 119,694	$ 45,432	$ -	$ 165,126
State sources	9,237,515	-	442	9,237,957
Federal sources	721,529	-	662,691	1,384,220
Intermediate sources	464,750	-	-	464,750
TOTAL REVENUES	10,543,488	45,432	663,133	11,252,053
EXPENDITURES				
Current				
Instruction				
Basic programs	4,234,520	-	-	4,234,520
Added needs	1,726,832	-	-	1,726,832
Total instruction	5,961,352	-	-	5,961,352
Support services				
Pupil	328,424	-	-	328,424
Instructional staff	218,903	-	-	218,903
General administration	1,044,461	-	-	1,044,461
School administration	865,737	-	-	865,737
Business services	14,302	34,013	-	48,315
Operation and maintenance	1,059,318	-	-	1,059,318
Pupil transportation services	299,793	-	-	299,793
Other support services	99,226	-	-	99,226
Total support services	3,930,164	34,013	-	3,964,177
Community services	1,757	-	-	1,757
Food service	-	-	673,400	673,400
Capital outlay	129,516	-	-	129,516
Debt service				
Principal repayment	11,071	265,000	-	276,071
Interest	2,965	262,012	-	264,977
Total debt service	14,036	527,012	-	541,048
TOTAL EXPENDITURES	10,036,825	561,025	673,400	11,271,250
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	506,663	(515,593)	(10,267)	(19,197)
OTHER FINANCING SOURCES (USES)				
Proceeds from lease	46,106	-	-	46,106
Transfers in	10,000	502,053	-	512,053
Transfers out	(502,053)	-	(10,000)	(512,053)
TOTAL OTHER FINANCING SOURCES (USES)	(445,947)	502,053	(10,000)	46,106
NET CHANGE IN FUND BALANCES	60,716	(13,540)	(20,267)	26,909
FUND BALANCES				
Beginning of year	2,416,030	390,896	246,570	3,053,496
End of year	$ 2,476,746	$ 377,356	$ 226,303	$ 3,080,405

See notes to financial statements.

HANLEY INTERNATIONAL 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, 2026

Net change in fund balances total governmental funds	$	26,909
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		(417,974)
Capital outlay		253,813
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:		
Accrued interest payable, beginning of the year		88,883
Accrued interest payable, end of the year		(84,626)
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). Also, governmental funds report the effects of premiums, discounts, and similar items when obligations are first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term obligations and related items and are as follows:		
Proceeds from lease		(46,106)
Amortization of bond premium		22,112
Principal repayment		276,071
Change in net position of governmental activities	$	119,082

See 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

Hanley International Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Grand Valley State University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2033. 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 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 *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligations.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported 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, as well as expenditures related to 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 amounts are received during the period or within the availability period for this revenue source (within 60 days of year-end).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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.

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.

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.

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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets (continued)

Land and construction in progress, if any, are not depreciated/amortized. 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/amortized using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Years
Building and improvements	5 - 40
Furniture and equipment	5 - 10
Technology	5
Right-to-use - subscription-based IT arrangements	2 - 3
Right-to-use - leased equipment	4 - 5

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases (continued)

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)

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

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

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

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

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

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

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

Revenues and Expenditures/Expenses

Program Revenues

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Long-Term Obligations

In the government-wide financial statements, long-term obligations 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 - DEPOSITS

As of June 30, 2026 the Academy had deposits subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2026, the Academy's cash and cash equivalents contain total deposits of $2,478,177 at June 30, 2026, of which, $2,228,177 was exposed to custodial credit risk because it was uninsured and uncollateralized. Restricted cash and cash equivalents - debt service contain total deposits of $1,023,880 at June 30, 2026, of which, $773,880 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $3,467,402. The following summarizes the categorization of these amounts as of June 30, 2026:

	Primary Government
Cash and cash equivalents	$ 2,443,522
Restricted cash and cash equivalents - debt service	1,023,880
	$ 3,467,402

Certain money market funds are restricted under the terms of the Series 2021 revenue bond agreement primarily for debt service, operating reserves, and maintenance and repair of the related facilities.

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
Governmental activities				
Capital assets, not being depreciated/amortized				
Land	$ 942,471	$ -	$ -	$ 942,471
Capital assets being depreciated/amortized				
Building and improvements	9,924,347	-	-	9,924,347
Furniture and equipment	733,172	96,656	-	829,828
Technology	289,205	-	-	289,205
Right-to-use - subscription-based IT arrangements	309,938	111,051	309,938	111,051
Right-to-use - leased equipment	67,822	46,106	42,671	71,257
Total capital assets being depreciated/ amortized	11,324,484	253,813	352,609	11,225,688
Accumulated depreciation/amortization				
Building and improvements	2,659,118	305,611	-	2,964,729
Furniture and equipment	623,976	24,507	-	648,483
Technology	194,838	33,123	-	227,961
Right-to-use - subscription-based IT arrangements	309,938	42,683	309,938	42,683
Right-to-use - leased equipment	50,183	12,050	42,671	19,562
Total accumulated depreciation/ amortization	3,838,053	417,974	352,609	3,903,418
Net capital assets being depreciated/amortized	7,486,431	(164,161)	-	7,322,270
Net governmental capital assets	$ 8,428,902	$ (164,161)	$ -	$ 8,264,741

Depreciation/amortization for the fiscal year ended June 30, 2026 amounted to $417,974. The Academy determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

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

	Government-wide
State sources	$ 1,523,517
Federal sources	821,260
Payments from ISD and other	178,421
	$ 2,523,198

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

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the Academy for the year ended June 30, 2026.

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Total
Balance, July 1, 2025	$ 6,199,578	$ 18,425	$ 6,218,003
Additions	-	46,106	46,106
Deletions	(287,112)	(11,071)	(298,183)
Balance, June 30, 2026	5,912,466	53,460	5,965,926
Less due within one year	275,000	13,551	288,551
Due in more than one year	$ 5,637,466	$ 39,909	$ 5,677,375

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

General Obligation Bonds

Series 2021 revenue bonds payable with variable semi-annual installments with interest at 3.5% through September 2030 and interest at 5% through September 2040. The bond is secured by the related property.	$ 5,590,000
Premium on bonds	322,466
Total general obligation bonds	5,912,466

Notes from Direct Borrowings and Direct Placements

During the 2024 fiscal year, the Academy entered into a five-year lease agreement as lessee for the use of a copier. The Academy is required to make monthly principal and interest payments of $484. The lease has an interest rate of 6%.	12,612
During the 2026 fiscal year, the Academy entered into a five-year lease agreement as lessee for the use of copiers. The Academy is required to make monthly principal and interest payments of $913. The lease has an interest rate of 7%.	40,848
Total direct borrowings and direct placements	53,460
Total general long-term obligations	$ 5,965,926

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The Academy's outstanding Series 2021 Bonds are collateralized by substantially all assets of the Academy including mortgage on the real property and subordination of management fees. The bonds are subject to financial covenants measured annually beginning with the fiscal year ending June 30, 2021. As of June 30, 2026, the Academy is in accordance with all debt covenants.

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of $53,460 contain 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 obligation outstanding as of June 30, 2026, including interest of $2,279,998, are as follows:

Year Ending June 30,	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2027	$ 275,000	$ 252,563	$ 13,551	$ 3,210	$ 544,324
2028	285,000	242,763	14,476	2,285	544,524
2029	295,000	232,613	11,525	1,366	540,504
2030	305,000	222,113	10,308	647	538,068
2031	315,000	211,263	3,600	52	529,915
2032-2036	1,810,000	811,750	-	-	2,621,750
2037-2041	2,305,000	299,373	-	-	2,604,373
	5,590,000	2,272,438	53,460	7,560	7,923,458
Premium on bonds	322,466	-	-	-	322,466
	$ 5,912,466	$ 2,272,438	$ 53,460	$ 7,560	$ 8,245,924

Interest expense (all funds) for the year ended June 30, 2026 was $264,977.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2026 are as follows:

Receivable Fund		Payable Fund	
Nonmajor governmental fund	$ 226,303	General fund	$ 226,303

The outstanding balances between funds results 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, (3) payments between funds are made.

NOTE 7 - TRANSFERS

Transfers between the governmental funds were as follows:

Transfers Out		Transfers In	
General fund	$ 502,053	Debt service fund	$ 502,053
Nonmajor governmental fund	10,000	General fund	10,000
	$ 512,053		$ 512,053

The transfers from the general fund to the debt service fund were to pay the annual principal and interest on the long-term obligations. The transfers from the nonmajor governmental fund to the general fund were related to indirect cost allocation from food service activity.

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 Grand Valley State University, 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, 2026, the Academy incurred expenses of approximately $202,000 for oversight fees.

NOTE 9 - MANAGEMENT AGREEMENT

The Academy currently has a management agreement with The Romine Group for operations of the Academy through June 2033. Under the terms of the management agreement, The Romine Group's compensation for operating the Academy was $800,000 for the fiscal year 2026.

NOTE 10 - PURCHASED SERVICES

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

NOTE 11 - RISK MANAGEMENT

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

NOTE 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 - CHANGES IN ACCOUNTING PRINCIPLES

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

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

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

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

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

HANLEY INTERNATIONAL ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2026

	Budgeted Amounts		Variance with		Variance with
	Original Budget	Final Budget	Original and Final Budget	Actual	Final Budget and Actual
REVENUES					
Local sources	$ 71,940	$ 116,360	$ 44,420	$ 119,694	$ 3,334
State sources	9,049,325	10,107,802	1,058,477	9,237,515	(870,287)
Federal sources	693,742	797,319	103,577	721,529	(75,790)
Incoming transfers	326,943	467,438	140,495	464,750	(2,688)
TOTAL REVENUES	10,141,950	11,488,919	1,346,969	10,543,488	(945,431)
EXPENDITURES					
Current					
Instruction					
Basic programs	4,171,005	4,362,790	(191,785)	4,234,520	128,270
Added needs	1,811,382	2,398,713	(587,331)	1,726,832	671,881
Total instruction	5,982,387	6,761,503	(779,116)	5,961,352	800,151
Support services					
Pupil	350,042	367,526	(17,484)	328,424	39,102
Instructional staff	134,906	227,648	(92,742)	218,903	8,745
General administration	1,081,979	1,063,290	18,689	1,044,461	18,829
School administration	814,052	934,606	(120,554)	865,737	68,869
Business services	4,600	22,450	(17,850)	14,302	8,148
Operation and maintenance	983,212	1,302,647	(319,435)	1,059,318	243,329
Pupil transportation services	283,500	307,950	(24,450)	299,793	8,157
Other support services	102,030	129,100	(27,070)	99,226	29,874
Total support services	3,754,321	4,355,217	(600,896)	3,930,164	425,053
Community services	15,000	7,208	7,792	1,757	5,451
Capital outlay	-	82,989	(82,989)	129,516	(46,527)
Debt service					
Principal repayment	-	11,071	(11,071)	11,071	-
Interest	-	2,969	(2,969)	2,965	4
Total debt service	-	14,040	(14,040)	14,036	4
TOTAL EXPENDITURES	9,751,708	11,220,957	(1,469,249)	10,036,825	1,184,132
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	390,242	267,962	(122,280)	506,663	238,701
OTHER FINANCING SOURCES (USES)					
Proceeds from lease	-	46,106	46,106	46,106	-
Transfers in	-	-	-	10,000	10,000
Transfers out	(535,000)	(535,000)	-	(502,053)	32,947
TOTAL OTHER FINANCING SOURCES (USES)	(535,000)	(488,894)	46,106	(445,947)	42,947
NET CHANGE IN FUND BALANCE	(144,758)	(220,932)	(76,174)	60,716	281,648
FUND BALANCE					
Beginning of year	2,416,030	2,416,030	-	2,416,030	-
End of year	$ 2,271,272	$ 2,195,098	$ (76,174)	$ 2,476,746	$ 281,648

HANLEY INTERNATIONAL ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2026

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

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

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

NOTE 2 - BUDGETARY COMPARISON

Significant Variances Between Original and Final Budget

	Variance	Explanation
REVENUES		
State sources	$ 1,058,477	Original budget was a conservative estimate due to delays in the State budget adoption for fiscal year 2026 as the final budget was created knowing the state program funding figures.
Federal sources	103,577	Original budget was a conservative estimate due to uncertainties in federal program awards for fiscal year 2026 as the final budget was created knowing the federal award allocations to be provided.
Incoming transfers	140,495	Original budget was a conservative estimate due to uncertainties in Wayne RESA funding sources for fiscal year 2026 as the final budget was created knowing the Wayne RESA allocations to be provided.
EXPENDITURES		
Instruction - Basic programs	(191,785)	Increased expenditures budgeted for in final budget compared to original budget due to budgeted revenue increases in state and federal funding as well as a student enrollment increase.
Instruction - Added needs	(587,331)	Increased expenditures budgeted for in final budget compared to original budget due to budgeted revenue increases in state and federal funding as well as a student enrollment increase.
Support services - School administration	(120,554)	Increase from original budget to final budget due to budgeting for a new equipment lease for copiers.
Support services - Operation and maintenance	(319,435)	Increase in the number of building maintenance projects budgeted for from original to final budget due to budgeted revenue increase.

NOTE 2 - BUDGETARY COMPARISON (continued)

Significant Variances Between Final Budget and Actual

	Variance	Explanation
REVENUES		
State sources	$ (870,287)	Actual decrease in state sources revenue due to projects initially expected to be completed postponed to fiscal year 2027 leading to unearned revenue items.
EXPENDITURES		
Instruction - Basic programs	128,270	Actual decrease due to projects initially expected to be completed with state categorical funding postponed to fiscal year 2027.
Instruction - Added needs	671,881	Actual decrease due to projects initially expected to be completed with state categorical funding postponed to fiscal year 2027.
Support services - Operation and maintenance	243,329	Actual decrease due to having to postpone building maintenance projects included in the final budget to fiscal year 2027.

Maner Costerisan

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

2851 Charlevoix Dr SE #300,
Grand Rapids, MI 49546

517.323.7500

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 of the
Hanley International 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 Hanley International Academy, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Hanley International Academy's basic financial statements, and have issued our report thereon dated October 26, 2026.

Report on Internal Control Over Financial Reporting

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

Maner Costerisan PC

Lansing, Michigan
October 26, 2026