



## PEMBROKE CHARTER ACADEMY

Financial Statements as of and for the Year Ended  
June 30, 2024, Required Supplementary  
Information and Additional Information for the Year  
Ended June 30, 2024, and Independent Auditor's  
Reports

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**PEMBROKE CHARTER ACADEMY**  
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THE CLAIRMOUNT GROUP, PLC  
Certified Public Accountants

## **Independent Auditor's Report**

To the Board of Directors  
Pembroke Charter Academy

### **Report on the Audit of the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund of Pembroke Charter Academy as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Pembroke Charter Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Pembroke Charter Academy as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

Management is responsible for the preparation and fair presentation of these 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 Pembroke Charter Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibility 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 Pembroke Charter Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pembroke Charter Academy's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The Statement of Revenues- General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Revenues – general fund is the responsibility of management and is derived and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of the revenues-general fund is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2024, on our consideration of Pembroke Charter Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pembroke Charter Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pembroke Charter Academy's internal control over financial reporting and compliance.

*The Clairmount Group, PLC*

Detroit, Michigan

October 14, 2024

**PEMBROKE CHARTER ACADEMY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024**

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This section of the annual financial report for Pembroke Charter Academy (the “Academy”) provides an overview of the Academy’s financial activities as of and for the fiscal year ended June 30, 2024. It should be read in conjunction with the financial statements, which immediately follow this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy’s finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy’s operations in more detail than the Academy-wide financial statements by providing information about the Academy’s General Fund .

Management’s Discussion and Analysis  
(Required Supplementary Information)

Basic Financial Statements

Academy-wide Financial Statements      Fund Financial Statements

Notes to Basic Financial Statements

(Required Supplementary Information)  
Budgetary Information for the Governmental Funds

(Additional Information)  
Statement of Revenues — General Fund

**Reporting the Academy as a whole — Academy-wide Financial Statements**

One of the most important questions asked about the Academy is, “As a whole, what is the Academy’s financial condition as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities, which appear first in the Academy’s financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid.

**PEMBROKE CHARTER ACADEMY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024 (CONTINUED)**

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The Academy’s Statement of Net Position — the difference between assets and liabilities, as reported in the Statement of Net Position — is one way to measure the Academy’s financial position. The relationship between revenues and expenses is the Academy’s operating results. The Academy’s goal is to provide services to our students, not to generate profits as private sector companies do. One must consider nonfinancial factors, such as the quality of the education provided and the safety of the Academy, to assess the overall health of the Academy.

The Statement of Net Position and the Statement of Activities report the activities of the Academy, all of which are classified as governmental. These activities encompass all of the Academy’s services, including instruction and support services. State aid (based on student count) and state and federal grants finance most of these activities. The Academy has entered into a services agreement (the “Agreement”) with National Heritage Academies, Inc. (NHA), which requires NHA to provide administration, strategic planning, and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. Under the terms of the agreement, NHA receives an amount equal to the total revenue received by the Academy from all revenue sources as remuneration for its services.

**Reporting the Academy’s Fund Financial Statements**

The Academy’s fund financial statements provide detailed information about the most significant funds — not the Academy as a whole. Some funds are required to be established by state law. . The governmental funds of the Academy use the following accounting approach:

*Governmental Funds* — All the Academy’s services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting. Only those revenues that are “measurable” and “currently available” are reported. Liabilities are recognized when incurred. The governmental fund statements provide a short-term view of the operations of the Academy and the services it provides. Governmental fund information 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations presented as part of the statements.

**PEMBROKE CHARTER ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024 (CONTINUED)**

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**The Academy as a Whole**

Recall that the Statement of Net Position provides the perspective of the Academy as a whole. The table below provides a summary of the Academy's net position as of June 30:

|                       | <b>2024</b>      | <b>2023</b>       |
|-----------------------|------------------|-------------------|
| Assets - Current      | \$ 895,915       | \$ 854,389        |
| Liabilities - current | <u>811,662</u>   | <u>750,803</u>    |
| Net position:         |                  |                   |
| Unrestricted          | <u>84,253</u>    | <u>103,586</u>    |
| Total net position    | <u>\$ 84,253</u> | <u>\$ 103,586</u> |

The unrestricted net position of governmental activities represents the accumulated results of life-to-date operations. These assets can be used to finance day-to-day operations without constraints, such as legislative or legal requirements. The results of the current-year operations for the Academy as a whole are reported in the Statement of Activities, which shows the change in net position.

The results of operations for the Academy as a whole are reported in the summarized Statements of Activities (below) which show the changes in net position for the fiscal years ended June 30:

|   | <b>2024</b>        | <b>2023</b>        |
|---|--------------------|--------------------|
| Revenues:                                   |                    |                    |
| State aid                                   | \$ 3,332,809       | \$ 3,162,606       |
| Operating grants                            | 1,111,284          | 967,394            |
| Private sources - NHA                       | <u>1,787,055</u>   | <u>1,748,807</u>   |
| Total revenues                              | 6,231,148          | 5,878,807          |
| Expenses:                                   |                    |                    |
| Contracted service fee                      | 6,196,147          | 5,843,470          |
| General Administrative - Board expenditures | 54,334             | 19,521             |
| Food services                               | <u>-</u>           | <u>628</u>         |
| Total expenses                              | <u>6,250,481</u>   | <u>5,863,619</u>   |
| SPECIAL ITEM - Transfer of Operations       | <u>-</u>           | <u>(44,022)</u>    |
| Change in net position                      | <u>\$ (19,333)</u> | <u>\$ (28,834)</u> |



**PEMBROKE CHARTER ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024 (CONTINUED)**

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**The Academy as a Whole (continued)**

As reported in the Statement of Activities, the cost of governmental activities was \$6,250,481. These activities were primarily funded by the Academy's state aid (based on student count) and governments and organizations that subsidized certain programs with grants. *Revenues – Private sources – NHA* represent a contribution granted by NHA for excess of Academy expenditures over public revenues available.

The Academy experienced a decrease in net position of \$19,333 in 2024. Under the terms of the agreement with NHA, NHA provides a spending account to the board of directors for discretionary expenditures. The primary reason for the change in net position is the timing of these discretionary expenditures.

A reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities appears on page 11.

**Fund Financial Statements**

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes or as required by state law. Looking at funds helps the reader to consider whether the Academy is being accountable for the resources that the State and others provide to it and may provide more insight into the Academy's overall financial health.

The Academy's instruction and support services activities are reported in the General Fund. The Academy's fund balance was \$84,253 at June 30, 2024.

A reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position appears on page 10.

**General Fund Budgetary Highlights**

Over the course of the year, the Academy revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

Budgeted revenues for the General Fund were decreased by \$145,185 from the original budget. Revenues were changed to reflect the following:

|                     |                 |
|---------------------|-----------------|
| State Aid           | <i>Decrease</i> |
| Other State Sources | <i>Decrease</i> |
| Local Sources       | <i>Decrease</i> |
| Federal Sources     | <i>Increase</i> |
| Private Sources     | <i>Decrease</i> |

Budgeted expenditures for the General Fund were decreased by \$142,939. This change was to reflect the change in anticipated funding. Significant variances between the final budget and actual amounts are disclosed in the notes to the financial statements (Refer to Note 2).

**PEMBROKE CHARTER ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024 (CONTINUED)**

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**General Economic Factors and Next Year's Budgets**

Our officials and administration consider many factors when setting the Academy's 2025 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2025 fiscal year is expected to be 90% and 10% of the October 2024 and February 2024 student counts, respectively. The 2025 budget was adopted in May 2024. Approximately 54% of total General Fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2025 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2025 budget. Once the final student count and related per pupil funding are validated, state law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's school aid fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to public school academies. The State periodically holds a revenue-estimating conference to estimate revenues. If the State estimates funds are not sufficient to fund the appropriation, the legislature must revise the appropriation or proration of state aid will occur.

**Contacting the Academy's Financial Management**

The financial report is designed to provide users of the report 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, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE; Grand Rapids, Michigan 49512.

**PEMBROKE CHARTER ACADEMY  
STATEMENT OF NET POSITION  
JUNE 30, 2024**

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|                                       | <b>Governmental<br/>Activities</b> |
|---------------------------------------|------------------------------------|
| <b>ASSETS</b>                         |                                    |
| CURRENT ASSETS:                       |                                    |
| Cash                                  | \$ 86,445                          |
| Due from governmental revenue sources | <u>809,470</u>                     |
| TOTAL                                 | <u>\$ 895,915</u>                  |
| <b>LIABILITIES AND NET POSITION</b>   |                                    |
| LIABILITIES:                          |                                    |
| Unearned revenue                      | \$ 671,237                         |
| Contracted service fee payable        | <u>140,425</u>                     |
| Total liabilities                     | <u>811,662</u>                     |
| NET POSITION:                         |                                    |
| Unrestricted                          | <u>84,253</u>                      |
| Total net position                    | <u>84,253</u>                      |
| TOTAL                                 | <u>\$ 895,915</u>                  |

**PEMBROKE CHARTER ACADEMY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024**

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|   | Expenses            | Program Revenues        |                     | Governmental<br>Activities<br>Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|---|---------------------|-------------------------|---------------------|--|
|   |                     | Charges for<br>Services | Operating<br>Grants |  |
| FUNCTIONS/PROGRAMS —                        |                     |                         |                     |  |
| Contracted service fee                      | \$ 6,196,147        | \$ -                    | \$ 1,111,284        | \$ (5,084,863)   |
| General administrative - Board expenditures | <u>54,334</u>       | <u>-</u>                | <u>-</u>            | <u>(54,334)</u>  |
| Total governmental activities               | <u>\$ 6,250,481</u> | <u>\$ -</u>             | <u>\$ 1,111,284</u> | <u>\$ (5,139,197)</u>  |
| GENERAL PURPOSE REVENUES:                   |                     |                         |                     |  |
| State aid unrestricted                      |                     |                         |                     | 3,332,809  |
| Private sources - NHA                       |                     |                         |                     | <u>1,787,055</u>   |
| Total general purpose revenue               |                     |                         |                     | <u>5,119,864</u>   |
| CHANGE IN NET POSITION                      |                     |                         |                     | (19,333)   |
| NET POSITION:                               |                     |                         |                     |  |
| Beginning of year                           |                     |                         |                     | <u>103,586</u>   |
| End of year                                 |                     |                         |                     | <u>\$ 84,253</u>   |

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**PEMBROKE CHARTER ACADEMY  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2024**

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|   | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---|
| <b>ASSETS</b>   |   |
| Cash  | \$ 86,445                               |
| Due from governmental revenue sources   | <u>809,470</u>                          |
| <b>TOTAL</b>  | <b><u>\$ 895,915</u></b>                |
| <b>LIABILITIES AND FUND BALANCE</b>   |   |
| <b>LIABILITIES:</b>   |   |
| Unearned revenue  | \$ 671,237                              |
| Contracted service fee payable  | <u>44,054</u>                           |
| Total liabilities   | <u>715,291</u>                          |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>   |   |
| Unavailable revenue   | <u>96,371</u>                           |
| Total liabilities and deferred inflows of resources   | <u>811,662</u>                          |
| <b>FUND BALANCE:</b>  |   |
| Committed   | 25,899                                  |
| Unassigned  | <u>58,354</u>                           |
| Total fund balance  | <u>84,253</u>                           |
| <b>TOTAL</b>  | <b><u>\$ 895,915</u></b>                |
| <b>Reconciliation of the Balance Sheet of Governmental Funds<br/>to the Statement of Net Position</b>                     |   |
| Total governmental fund balance   | \$ 84,253                               |
| Due from governmental revenue sources not available to pay<br>current period expenditures therefore deferred in the funds | 96,371                                  |
| Contracted service fee payable not due and payable in<br>the current period and not reported in the funds                 | <u>(96,371)</u>                         |
| Net position of governmental activities   | <b><u>\$ 84,253</u></b>                 |

**PEMBROKE CHARTER ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2024**

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|   | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---|
| REVENUES:   |   |
| State aid   | \$ 3,316,974                            |
| Other state sources   | 219,031                                 |
| Federal sources   | 699,493                                 |
| Private sources   | 12,087                                  |
| Local sources   | 138,956                                 |
| Private sources - NHA Donation  | <u>1,787,055</u>                        |
| Total revenues  | <u>6,173,596</u>                        |
| EXPENDITURES:   |   |
| Contracted service fee  | 6,138,595                               |
| General administrative - Board expenditures   | <u>54,334</u>                           |
| Total expenditures  | <u>6,192,929</u>                        |
| NET CHANGE IN FUND BALANCE  | (19,333)                                |
| FUND BALANCE — Beginning of year  | <u>103,586</u>                          |
| FUND BALANCE — End of year  | <u>\$ 84,253</u>                        |
| <b>Reconciliation of the Statement of Revenues, Expenditures and Changes in<br/>Fund Balance of Governmental Funds to the Statement of Activities</b>             |   |
| Net change in fund balance — total governmental funds   | \$ (19,333)                             |
| Revenue reported in the statement of activities that does not<br>provide current financial resources and are not reported as<br>revenue in the governmental funds | 96,371                                  |
| Revenue reported in the governmental funds as available and<br>measurable — reported in the statement of activities in prior years                                | (38,827)                                |
| Contracted service fee recognized consistent with the revenue<br>policy   | <u>(57,544)</u>                         |
| Change in net position of governmental activities   | <u>\$ (19,333)</u>                      |

**PEMBROKE CHARTER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024**

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**NOTE 1 - NATURE OF OPERATIONS**

Pembroke Charter Academy (the “Academy”) is a Michigan Public School Academy that provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy provides education, at no cost to the parent, to students in kindergarten through fifth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The Academy operates under a charter contract approved by Central Michigan University, which is responsible for oversight of the Academy’s operations. The charter contract expires June 30, 2030, and is subject to renewal. Central Michigan University Board of Trustees receives three percent of state aid funds as an administrative fee. The total administrative fee for the year ended June 30, 2024, paid to the Central Michigan University Board of Trustees was \$98,999.

The Academy’s primary source of revenue is provided by the State of Michigan and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and is funded through payments from October 2023 through August 2024.

The Board of Directors of the Academy has entered into a services agreement (the “Agreement”) with National Heritage Academies, Inc. (NHA), which requires NHA to provide administration, strategic planning, and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will continue until the termination or expiration of the charter contract, up to a maximum of five years, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the agreement, NHA receives an amount equal to the total revenue received by the Academy from all revenue sources as remuneration for its services.

*Revenues – Private sources – NHA* represents a contribution granted by NHA for excess of Academy expenditures over public revenues available.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Academy-Wide and Fund Financial Statements** — The Academy-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 primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Academy’s government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported instead as general revenue.

**PEMBROKE CHARTER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024**

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**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

When an expense is incurred for purposes for which both restricted and unrestricted net position, or fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order: committed, assigned and unassigned.

*Fund Based Statements* — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 collected within 60 days of the end of the current fiscal period. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The contracted service fee to NHA is recorded consistent with the recognition of revenue.

*Fund Classification* — The financial activities of the Academy are organized on the basis of funds. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

*General Fund* — The General Fund is used to account for the general educational programs of the Academy. Its revenues are derived primarily from the State of Michigan.

*Estimates* — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

*Cash* — Cash as of June 30, 2024 represents bank deposits which are covered by federal depository insurance.

*Unavailable and Unearned Revenue* — Unavailable revenue is reported in connection with receivables for revenue that is not considered available and measurable to liquidate liabilities of the current period. Receivables collected within 60 days of year end are considered available. Unearned revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned. As of June 30, 2024, there was a deferred inflow recorded for unavailable revenue for \$96,371 and a liability for unearned revenue was recognized for \$671,237.



**PEMBROKE CHARTER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024**

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**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

*Contracted Service Fee Payable* — Contracted service fee payable as of June 30, 2024 represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the agreement.

*Fund Balance* — Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned. The terms nonspendable and restricted are used either to indicate that certain assets do not represent spendable resources available for general educational programs or to earmark a portion of fund balance as legally segregated for a specific future use. The term committed represents amounts that can only be used for the specific purpose determined by a formal resolution of the board. The term assigned is used to classify the fund balance intended to be used by the board, but does not meet the criteria to be restricted or committed. The term unassigned is used for amounts that have not been restricted, committed, or otherwise assigned for future uses. At June 30, 2024, the Academy had \$25,899 in committed fund balance and \$58,354 in unassigned fund balance.

*Budgetary Information* — Annual budgets are adopted on a basis utilizing generally accepted accounting principles and consistent with state law for the general and special revenue funds.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. The budgets can be amended by the Board of Directors as considered necessary. The budgets were amended to increase budgeted revenues and decrease budgeted expenditures by \$1,035,834 and (\$142,939), for the General Fund, respectively, and to decrease budgeted revenues and expenditures for the School Service Fund by \$349,087 and \$386,671, respectively. The Academy is in compliance with the Uniform Budget and Accounting Act.

**NOTE 3 - DUE FROM GOVERNMENTAL REVENUE SOURCES**

Receivables as of June 30, 2024 for the Academy included \$624,095 in state aid receivable, \$86,702 in federal grants receivable and \$98,673 in other state sources. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

**NOTE 4 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2024, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

**NOTE 5 - CONTINGENCIES**

The Academy has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**PEMBROKE CHARTER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024**

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**NOTE 6 - LEASE**

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2023 through June 30, 2024. Annual rental payments required by the lease are \$647,360 payable in twelve monthly payments of \$53,947. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the Academy or NHA. This lease is renewable on a year-to-year basis. The lease agreement can be canceled upon termination of the NHA services agreement.

The Academy is not a party to any leasing arrangements that meet the criteria for recognition of lease assets or liabilities under GASB Statement No. 87, *Leases* based on the noncancellable period being less than 12 months and applicability of the short-term lease exception for the facility lease agreement.

The Academy subsequently renewed the sublease with NHA for the period of July 1, 2024, through June 30, 2025, at the same rental rate.

**NOTE 7 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 14, 2024, which is the date the financial statements were available to be issued. Events occurring after the date have not been evaluated.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**PEMBROKE CHARTER ACADEMY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2024**

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Amended<br/>Budget</u> | <u>Actual</u>    | <u>Over (Under)<br/>Final<br/>Budget</u> |
|---|----------------------------|-------------------------------------|------------------|--|
| <b>REVENUES:</b>                              |                            |                                     |                  |  |
| State aid                                     | \$ 3,980,539               | \$ 3,302,828                        | \$ 3,316,974     | \$ 14,146                                |
| Other state sources                           | 404,191                    | 278,572                             | 219,031          | (59,541)                                 |
| Local sources                                 | 128,121                    | 122,408                             | 138,956          | 16,548                                   |
| Federal sources                               | 667,078                    | 727,096                             | 699,493          | (27,603)                                 |
| Private sources                               | 15,400                     | 13,204                              | 12,087           | (1,117)                                  |
| Private sources - NHA                         | <u>1,151,152</u>           | <u>1,757,188</u>                    | <u>1,787,055</u> | <u>29,867</u>                            |
| Total revenues                                | 6,346,481                  | 6,201,296                           | 6,173,596        | (27,700)                                 |
| <b>EXPENDITURES - Contracted service fee:</b> |                            |                                     |                  |  |
| Instruction:                                  |                            |                                     |                  |  |
| Basic instruction                             | 2,433,635                  | 2,608,195                           | 2,587,818        | (20,377)                                 |
| Added needs                                   | 550,372                    | 382,291                             | 405,868          | 23,577                                   |
| Support services:                             |                            |                                     |                  |  |
| Pupil services                                | 327,297                    | 278,610                             | 282,938          | 4,328                                    |
| Instructional staff services                  | 694,188                    | 654,775                             | 625,183          | (29,592)                                 |
| General Administration                        | 214,276                    | 199,698                             | 186,040          | (13,658)                                 |
| School Administration                         | 554,604                    | 544,115                             | 562,192          | 18,077                                   |
| Business & Internal Services                  | 75,661                     | 77,554                              | 86,691           | 9,137                                    |
| Central services                              | 235,846                    | 242,504                             | 209,144          | (33,360)                                 |
| Pupil transportation services                 | 2,600                      | 2,550                               | 1,473            | (1,077)                                  |
| Pupil Activities                              | -                          | 1,145                               | 895              | (250)                                    |
| Operations and maintenance                    | 1,251,693                  | 1,204,430                           | 1,237,386        | 32,956                                   |
| Community Activities                          | 6,000                      | 7,675                               | 7,301            | (374)                                    |
| Welfare Activities                            | <u>309</u>                 | <u>-</u>                            | <u>-</u>         | <u>-</u>                                 |
| Total expenditures                            | 6,346,481                  | 6,203,542                           | 6,192,929        | (10,613)                                 |
| REVENUES (UNDER) OVER EXPENDITURES            | -                          | (2,246)                             | (19,333)         | (17,087)                                 |
| <b>OTHER FINANCING USES</b>                   |                            |                                     |                  |  |
| Operating transfers (out) in                  | <u>-</u>                   | <u>(1,320)</u>                      | <u>-</u>         | <u>1,320</u>                             |
| NET CHANGE IN FUND BALANCE                    | -                          | (3,566)                             | (19,333)         | (15,767)                                 |
| FUND BALANCE - Beginning of year              | <u>88,106</u>              | <u>103,586</u>                      | <u>103,586</u>   | <u>-</u>                                 |
| FUND BALANCE - End of year                    | <u>\$ 88,106</u>           | <u>\$ 100,020</u>                   | <u>\$ 84,253</u> | <u>\$ (15,767)</u>                       |

## **ADDITIONAL INFORMATION**

**PEMBROKE CHARTER ACADEMY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
SCHOOL SERVICE FUND  
YEAR ENDED JUNE 30, 2024**

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|  | <u>Original<br/>Budget</u> | <u>Final<br/>Amended<br/>Budget</u> | <u>Actual</u> | <u>(Under) Over<br/>Final<br/>Budget</u> |
|--|----------------------------|-------------------------------------|---------------|--|
| REVENUES:                              |                            |                                     |               |  |
| Other state sources                    | \$ 5,269                   | \$ 5,269                            | \$ -          | \$ (5,269)                               |
| Local sources                          | -                          | -                                   | -             | -  |
| Federal sources                        | 349,087                    | -                                   | -             | -  |
| Private sources                        | -                          | -                                   | -             | -  |
| Total revenues                         | <u>354,356</u>             | <u>5,269</u>                        | <u>-</u>      | <u>(5,269)</u>                           |
| EXPENDITURES - Contracted service fee: |                            |                                     |               |  |
| Food services                          | <u>386,671</u>             | <u>-</u>                            | <u>-</u>      | <u>-</u>                                 |
| REVENUES (UNDER) OVER EXPENDITURES     | (32,315)                   | 5,269                               | -             | (5,269)                                  |
| SPECIAL ITEMS                          |                            |                                     |               |  |
| Transfer of operations                 | <u>-</u>                   | <u>1,320</u>                        | <u>-</u>      | <u>(1,320)</u>                           |
| NET CHANGE IN FUND BALANCE             | (32,315)                   | 6,589                               | -             | (6,589)                                  |
| FUND BALANCE - Beginning of year       | <u>38,642</u>              | <u>-</u>                            | <u>-</u>      | <u>-</u>                                 |
| FUND BALANCE - End of year             | <u>\$ 6,327</u>            | <u>\$ 6,589</u>                     | <u>\$ -</u>   | <u>\$ (6,589)</u>                        |