

**CAPSTONE ACADEMY CHARTER
SCHOOL**

**Financial Report
with Supplemental Information**

June 30, 2025

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LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

Independent Auditor's Report

To Management
and the Board of Directors of
Capstone Academy Charter School
Also known as (Infinity Institute of Learning)

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining information of Capstone Academy Charter School (the 'Academy'), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the 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 Capstone Academy Charter School as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles 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 (GAAS). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy, and 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.

Management's Responsibility 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; this includes 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 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 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 GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgement 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 controls 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 the 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 the budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Government Auditing 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 22, 2025 on our consideration of Capstone Academy Charter School'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 to describe the scope of our testing of 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 Capstone Academy Charter School's internal control over financial reporting and compliance.

Wilkinson & Associates PC

Dearborn, Michigan
October 22, 2024

Wilkerson & Associate P.C.

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THOMAS E. WILKERSON, C.P.A.

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
Capstone Academy Charter School
Also known as (Infinity Institute of Learning)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Capstone Academy Charter School, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Capstone Academy Charter School's basic financial statements, and have issued our report thereon dated October 22, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capstone Academy Charter School's internal control over financial reporting (internal control) to determine the 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 Capstone Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Capstone Academy Charter School'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.

To the Board of Directors
Capstone Academy Charter School

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capstone Academy Charter School'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 determination of financial statement amounts. 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 instance 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.

Wilkinson & Associates PC

Dearborn, Michigan
October 22, 2025

MANAGEMENT DISCUSSION & ANALYSIS
CAPSTONE ACADEMY CHARTER SCHOOL
(also known as Infinity Institute of Learning)
YEAR-ENDED JUNE 30, 2025

This section of Capstone Academy's (the "Academy") annual financial report presents management's discussion and analysis of the Academy's financial performance during the year ending June 30, 2025. It should be read in conjunction with the Academy's financial statements, which immediately follow this section, as well as the notes to the financial statements.

Financial Highlights

- At year ended June 30, 2025, the district reported a total fund balance of \$1,210,831.
- The total fund balance represents 49% of all revenues earned and the ratio of fund balance to state aid revenue for the year ending June 30, 2025 was 68%, far exceeding the financial distress threshold of 5% set by the state of Michigan as an early warning indicator.
- Fund balance as a percent of the Academy's general expenditures of \$ 3,825,328 was 32%, also exceeding the recommended threshold of 15% to 20%.
- At June 30, 2025, the Academy had short- and long-term debt in the form of building lease obligations of \$45,552 and \$7,636, respectively.
- For the sixth year in a row, the Academy did not require a State Aid Note (SAN) cash flow loan to bridge the gap between July 1 and October 31 of the fiscal year.
- At June 30, 2025, the Academy had \$82,569 in total capital assets, net accumulated depreciation and a total of \$29,381 invested in capital assets net of related debt.

This financial report is only one measure of the Academy's viability. Our goal is to provide services to students, not to generate profits as commercial entities do. Consideration should also be given to other non-financial factors, including those listed below.

The Academy:

- Operated year-round serving two separate residential youth agencies: one operated by the local county and the other operated by a private agency.
- Provided highly individualized instruction to each student regardless of length of stay, as well as time of admission and/or discharge during the academic year, requiring teaching and learning through a blend of modalities.
- Continued to collaborate with other social service agencies and governmental entities around the unique needs and challenging circumstances specific to the Academy's special population of students.

MANAGEMENT DISCUSSION & ANALYSIS
CAPSTONE ACADEMY CHARTER SCHOOL
(also known as Infinity Institute of Learning)
YEAR-ENDED JUNE 30, 2025

Academy Wide Financial Statements

The Academy-wide financial statements provide information about the activities of the Academy as a whole, presenting both an aggregate view of the Academy's finances and a long-term view of those finances. Academy-wide statements are presented on a full accrual basis, which is the primary accounting method used in private industry.

The statement of net position includes all of the Academy's assets and liabilities. The statement of activities reports all of the Academy's current year's revenues and expenses by type of activity. The two district-wide statements report the Academy's net position and how it has changed. Net position, the difference between the Academy's assets and liabilities, are one way to measure the Academy's financial health or position.

- Over time, increases and decreases in the Academy's net position can be an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy you need to consider additional non-financial factors.

Capstone Academy as a Whole

As discussed above, the statement of net position provides information about the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2025. The Academy's net position decreased over the previous year by \$1,368,080 primarily due to prior year state-adjusted funds designated for strict discipline academies and the ending of one-time federal funds related to Covid. The Academy ended the year with a total net position of \$1,240,212.

Table 1 - Summary of Capstone Academy - Net Position

	2025	2024
Current Assets	1,449,624	2,779,475
Capital Assets (net of accumulated depreciation)	82,569	161,792
Total Assets	1,532,193	2,941,268
Current Liabilities	238,794	220,465
Non-current liabilities	53,188	112,510
Total Liabilities	291,982	332,975
Net Position:		
Nonspendable	33,219	20,101
Invested in capital assets, net of related debt	29,381	59,282
Restricted	-	500,445
Unrestricted	1,177,612	2,028,464
Total Net Position	\$ 1,240,212	\$ 2,608,293

MANAGEMENT DISCUSSION & ANALYSIS
CAPSTONE ACADEMY CHARTER SCHOOL
(also known as Infinity Institute of Learning)
YEAR-ENDED JUNE 30, 2025

The net position of \$1,240,212 represents the cumulative operating results for the year ended June 30, 2025, inclusive of all prior years, and consisted of approximately 1) \$29,381 related to the Academy's investment in capital assets, net of accumulated depreciation and long-term obligations, 2) \$33,219 in prepaid expenses and designated as nonspendable, 3) 454,656 in assets attributed to the Academy's money market savings accounts with 4) a total of \$1,177,612 in unrestricted net assets.

Table 2 reports a summary of the Academy's statement of activities. For the year ended June 30, 2025 the Academy earned \$570,711 in additional operating grants to add to its general revenues of \$1,916,437. After all expenses were paid, including depreciation and amortization, the Academy ended the year with a decrease in net position of \$1,368,080.

Table 2 - Summary of the Statement of Activities

	<u>2025</u>	<u>2024</u>
Revenues		
Program Revenues		
Operating Grants & Contributions	<u>570,711</u>	<u>\$ 1,631,442</u>
General Revenues		
State Aid (formula grants)	1,791,542	2,366,074
Other Revenue (local)	<u>124,895</u>	<u>95,146</u>
Total Revenue	<u>2,487,148</u>	<u>4,092,663</u>
Expenses		
Instruction	1,294,901	1,373,426
Support Services	2,462,683	2,311,086
Community Services	21,605	19,744
Depreciation	<u>76,039</u>	<u>78,378</u>
Total Expenses	<u>3,855,228</u>	<u>3,782,634</u>
Change in Net Position	<u>\$ (1,368,080)</u>	<u>\$ 310,029</u>

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its most significant or "major" funds, not the Academy as a whole. They provide information as to the amount of financial resources that can be spent in the near future to finance programs. They also provide information about the Academy's most significant fund – the general fund (the principal operating fund) – as well as the food service fund, as applicable. For the year ended June 30, 2025, the Academy had no special revenue, fiduciary or food service funds.

MANAGEMENT DISCUSSION & ANALYSIS
CAPSTONE ACADEMY CHARTER SCHOOL
(also known as Infinity Institute of Learning)
YEAR-ENDED JUNE 30, 2025

Fund financial statements are presented on a modified accrual basis. Only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they can be paid using current financial resources. Revenue earned but not collected within sixty (60) days is considered unavailable or deferred. For the year ending June 30, 2025, the Academy had no unavailable or deferred revenue to report.

Capital Assets

Table 3 summarizes the Academy's capital assets through year ended June 30, 2025, which includes all prior operational years. The Academy had approximately \$82,569 invested in capital assets, net of \$350,252 in accumulated depreciation. Further details regarding the Academy's capital assets, including purchased and leased assets, can be found in Notes 4 and 5, further below.

Table 3 – Capital Assets

	Total Assets	Accumulated Depreciation	Net Book Value June 30, 2025	Net Book Value June 30, 2024
Furniture & Equipment	\$ 6,199	\$ 5,737	\$ 462	\$ 783
Computer Equipment	285,821	256,902	28,919	58,499
Buildings	220,610	167,422	53,188	102,510
	\$ 512,630	\$ 430,061	\$ 82,569	\$ 161,792

Debt

At June 30, 2025, the Academy had short-term debt of approximately \$45,552 pertaining to its facility lease. Under GASB 87, fully implemented as of the year ended June 30, 2022, debt at year ended June 30, 2025 was estimated to be \$53,188 relative to the Academy maintaining a renewable facility leasing contract with the long-term portion estimated to be \$7,636. Further details pertaining to the Academy's calculated debt under GASB 87 rules are provided in later sections of the notes to the financial statements.

General Fund Budget Highlights

State law requires that school districts periodically amend their budgets to ensure that expenditures do not exceed appropriations. During the year, the Academy revised its budget in response to and in anticipation of changing operating conditions. The Academy amended its budget two times, both of which were approved by the Academy's Board of Directors. Schedules showing the Academy's original budget, final budget and actual results for the general fund are provided in the required supplemental information section of the financial statements.

MANAGEMENT DISCUSSION & ANALYSIS
CAPSTONE ACADEMY CHARTER SCHOOL
(also known as Infinity Institute of Learning)
YEAR-ENDED JUNE 30, 2025

Economic Factors Affecting Next Year's Budgets

The Academy's management team and the Academy Board consider many factors in the budget planning process. One of the most important factors is student enrollment. Roughly 60% of the Academy's revenue to its general fund for fiscal year ended June 30, 2025 was derived from the state of Michigan's unrestricted student enrollment-based funding formula, totaling \$1,503,075.

For the 2024-2025 fiscal year, the foundation allowance was \$9,608 per pupil. In the event the foundation allowance is ever increased or decreased in future years, and after considering management's recommendations, the Board adopts and then amends its operating budget accordingly. The per pupil amount for fiscal year 2025-2026 is projected to be \$10,050.

Another factor affecting the Academy's budget is the amount of federal funds awarded from year to year. These amounts can fluctuate both up and down based on variables outside of the Academy's control. Because of potential fluctuations, management takes a conservative approach when planning and budgeting for supplemental services funded by federal sources, making certain it can first provide all legally required educational services that fall to a state's obligation. For the year ended June 30, 2025, regular sources of federal revenue in the amount of \$ 427,728 accounted for 17% of all revenue. Special federal revenue related to Covid funding applicable to the final year of such funding was \$142,984, accounting for 6% of total revenue.

Finally, though less so when compared to past years, factors related to potential emergency declarations by the State of Michigan remain unknown and unpredictable. These include potential new and/or additional mandates and regulations related to health and safety, which may affect both student enrollment and attendance, as well as staff willingness to provide in-person teaching, along with potential emergency orders that could affect all citizens. These factors could impact positively, negatively or even both, on the future economic status of the Academy.

Contacting the Academy's Management Team

This financial report is designed to provide our stakeholders and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives from all sources, and most importantly, from public sources. If you have questions about this report or need additional information, please contact the Academy's management team from edtec central, LLC, by contacting its Central Station Office of Support (CSOS) at:

CAPSTONE ACADEMY
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CAPSTONE ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 730,057
Prepaid expenditures	\$ 33,219
Accounts receivable	\$ 3,419
Other receivables	\$ -
Local	\$ 2,766
State	\$ 299,855
Federal	\$ 380,308
Capital assets, net of accumulated depreciation	\$ 82,569
Total assets	\$ 1,532,193
 Liabilities	
Accounts payable	\$ 40,299
Accrued expenditures	\$ 110,648
Management company payable	\$ 79,873
Accrued authorizer fees	\$ 7,974
Long-term Liabilities	
Due within one year	\$ 45,552
Due in more than one year	\$ 7,636
Total liabilities	\$ 291,982
 Net Position	
Nonspendable	\$ 33,219
Invested in capital assets, net of related debt	\$ 29,381
Restricted	\$ -
Unrestricted	\$ 1,177,612
Total net position	\$ 1,240,212

See accompanying notes to the financial statements.

**CAPSTONE ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expenses)
				Revenues and Changes in Net Position
Governmental Activities				
Instruction	\$ 1,294,901	\$ -	\$ 433,584	\$ (861,317)
Supporting services				
Pupil support services	337,021	-	137,127	(199,894)
Instructional support services	270,247	-	-	(270,247)
General administration services	491,007	-	-	(491,007)
School administration services	251,161	-	-	(251,161)
Business services	466,057	-	-	(466,057)
Operations and maintenance	155,750	-	-	(155,750)
Pupil transportation services	800	-	-	(800)
Central support services	490,641	-	-	(490,641)
Community services	21,605	-	-	(21,605)
Depreciation / Amortization	76,039	-	-	(76,039)
Total governmental activities	<u>\$ 3,855,228</u>	<u>\$ -</u>	<u>\$ 570,711</u>	<u>\$ (3,284,517)</u>
General revenues				
State aid - formula grants				1,791,542
Other - Local sources				124,895
Total general revenues				<u>1,916,437</u>
Change in Net Position				(1,368,080)
Net Position - July 1, 2024				<u>2,608,292</u>
Net Position - June 30, 2025				\$ 1,240,212

See accompanying notes to the financial statements.

**CAPSTONE ACADEMY CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	ASSETS	
	General Fund	Total Governmental Funds
Cash and cash equivalents	\$ 730,057	\$ 730,057
Receivables:		
Accounts receivable	3,419	3,419
Due from other governmental units	682,929	682,929
Prepaid expenditures	33,219	33,219
Total assets	1,449,624	1,449,624
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	40,299	40,299
Accrued expenditures	110,648	110,648
Accrued management fees	79,873	79,873
Accrued authorizer fees	7,974	7,974
Total liabilities	238,794	238,794
Fund Balances		
Non-spendable fund balance:		
Prepaid expenses	33,219	33,219
Assigned fund balance:		
Money-market account	454,656	454,656
Unassigned fund balance:	722,956	722,956
Total fund balances	1,210,831	1,210,831
Total liabilities and fund balances	\$ 1,449,625	\$ 1,449,625

See accompanying notes to the financial statements.

**CAPSTONE ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total Fund Balances - Governmental Funds	\$ 1,210,831
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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, therefore, not reported as assets in governmental funds

Cost of capital assets	459,442	
Accumulated depreciation and payments	430,061	29,381

Total Net Position - Governmental Activities	<u><u>\$ 1,240,212</u></u>
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See accompanying notes to the financial statements.

CAPSTONE ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Total Governmental Funds
Revenues		
Local sources	\$ 124,895	\$ 124,895
State sources	1,791,542	1,791,542
Federal sources	570,711	570,711
Total revenues	2,487,148	2,487,148
Expenditures		
Current		
Instructional services	1,294,901	1,294,901
Supporting services:		
Pupil support services	337,021	337,021
Instructional support services	270,247	270,247
General administration services	491,007	491,007
School administration services	251,161	251,161
Business services	466,057	466,057
Operation and maintenance services	201,889	201,889
Pupil transportation services	800	800
Central services	490,641	490,641
Community services	21,605	21,605
Total expenditures	3,825,328	3,825,328
Excess (Deficiency) of Revenues Over Expenditures	(1,338,180)	(1,338,180)
Other Financing Sources (Uses)		
Operating transfers - in	-	-
Operating transfers - out	-	-
Total other financing sources (uses)	-	-
Net Change in Fund Balances	(1,338,180)	(1,338,180)
Fund Balances - July 1, 2024	2,549,010	2,549,010
Fund Balances - June 30, 2025	<u>\$ 1,210,831</u>	<u>\$ 1,210,831</u>

See accompanying notes to the financial statements.

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

Total Net Change in Fund Balances - Governmental Funds	\$ (1,338,180)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period:

Depreciation expense	(76,039)		
Capitalized outlay expense (site improvements, equipment and furniture expenditures)	46,139	(29,900)	
Change in Net Position of Governmental Activities		\$ (1,368,080)	

See accompanying notes to the financial statements.

CAPSTONE ACADEMY CHARTER SCHOOL
(also known as Infinity Institute of Learning)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Capstone Academy Charter School (Academy) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the Academy's significant accounting policies.

A. Reporting Entity

The Academy is part of the Michigan Public School System under Act No. 362 of the Public Acts of 1993 and is subject to the leadership and general supervision of the State Board of Education. The Detroit Public Schools Community District (DPSCD) is the authorizing body of the Academy. The contract with DPSCD expires June 30, 2026. The Academy's school board is approved by the authorizing body and is authorized to manage the property and affairs of the Academy. The Academy does not include any other component unit within its financial statements as defined in Governmental Accounting Standards Board (GASB) Statement Nos. 14 and 39.

The contract with DPSCD requires the Academy to act exclusively as a governmental agency and to not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. DPSCD is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays DPSCD three percent of the state school aid payments received by the Academy as administrative fees for its oversight duties. The total administrative fees for the year ended June 30, 2025 to DPSCD approximated \$48,128.

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included by the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity and which organizations are legally separate component units of the Academy. Based on application of these criteria, the entity does not contain additional component units.

B. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. Substantially all inter-fund activity has been

CAPSTONE ACADEMY CHARTER SCHOOL
(also known as Infinity Institute of Learning)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. District-Wide and Fund Financial Statements (continued)

supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of 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 is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted for meeting the operational and capital requirements of a particular function.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements

The district-wide financial statements are reported using an 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, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted state aid.

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 government considers revenue to be available if collected within sixty (60) days

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JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund-Based Statements (continued)

of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law.

The Academy also receives revenue from the state to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received. The Academy reports the following major governmental funds:

General Fund (Fund 11)

The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Fiduciary Funds

As required under GASB 84, the Academy reports it currently maintains no fiduciary funds of the following reportable types: custodial fund, private-purpose trust fund, investment trust fund, or agency fund.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund-Based Statements (continued)

All governmental activities of the Academy are reported in the government-wide statement of activities as a single column containing each major operational area pertaining to providing educational services to eligible students in grades 4 through 12. This is the primary fiduciary responsibility of the Academy.

D. Assets, Liabilities, Net Position and Fund Balance

Deposits, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired. At year ended June 30, 2025, the Academy's cash on hand approximated \$730,057.

The Academy is authorized by Michigan Compiled Laws, Section 139.91 to invest surplus monies in federally insured United States banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is also authorized to invest in bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

For the year ended June 30, 2025, the Academy had roughly \$454,656 in three (3) money market savings accounts.

Capital Assets

Capital assets, which include equipment and furniture, whether purchased or leased, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. The Academy uses these thresholds in determining which purchases to record as fixed assets which are either depreciated or amortized, over time.

Assets are recorded at historical cost, or estimated historical cost, if purchased, constructed or leased.

CAPSTONE ACADEMY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Net Position and Fund Balance (continued)

Capital Assets (continued)

Donated capital assets are recorded as the estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

Leases

Lessee: The Academy is a lessee use of facility space for its community-based site. The Academy recognizes this lease as an intangible right-to-use capital lease asset in the government-wide financial statements.

At the commencement of a lease, the Academy initially measures the lease liability as 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. Lease assets are initially measured as the total 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 and depreciated on a straight-line basis over its useful life, or for the term of the lease, whichever is less.

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 leases and will remeasure a lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Net Position and Fund Balance (continued)

Leases (continued)

Lessor: The Academy is not a lessor of any capital assets to other entities.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position. Further details regarding capital assets and capital leases are provided in Notes 4 and Note 5, respectively, later in this report.

MPERS Liability

The Academy contracted with edtec central, LLC (Management Company) to provide all staffing personnel during the year under audit. Consequently, all staffing costs are treated as purchased services in these financial statements. Additionally, the Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year ended June 30, 2025.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

For the year ending June 30, 2025, the Academy had no deferred revenue as all funding requests were made timely before the 60-day accrual period during which funds were considered available.

Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations such as capital leases, are reported as liabilities in the statement of net position. Long-term debt was \$7,636 and short-term debt - due in one year or less - was \$45,522 at June 30, 2025. The Academy implemented GASB 87 in fiscal year 2022 and restated its leases for a facility and for a variety of technology equipment consisting mostly of laptops. All computer leases expired during the year ended June 30, 2025. For the facility lease, calculations were based on both past payments and future estimated payments remaining on the 5-year term at the time of restatement. If and when renewed, the lease will be restated accordingly.

CAPSTONE ACADEMY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Net Position and Fund Balance (continued)

Long-term Debt (continued)

Lease Obligations and Long-term Debt

Lease Obligation Information	Interest Rate (implied)	Maturity Date	Other
Building Lease	7%	10/31/2026	Lease for Operations
Computer Leases (combined)	30%	10/1/2025	Right-to-use Lease (ended)

Lease Activity	Balance July 1, 2024	Additions and Adjustments	Retirements and Payments	Balance June 30, 2025	Due Within 1 Year
Building Lease	102,510	(3,770)	45,552	53,188	45,552
Computer Leases (combined)	67,472	587	68,059	-	-

Fund Balance | Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the fund financial statements, governmental funds report fund balance in the categories defined below.

CAPSTONE ACADEMY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Net Position and Fund Balance (continued)

Fund Balance | Equity (continued)

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the management company the authority to assign funds. Residual amounts in the governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources: the remaining fund balances after non-spendable, restrictions, commitments and assignments are recorded.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy's policy is to consider restricted funds spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Academy's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, and (3) unassigned. At year ended June 30, 2025, the Academy reported \$33,219 as non-spendable funds and \$1,177,612 as unassigned funds, for a total fund balance of \$1,210,831.

Comparative Data

Comparative data is not included in the Academy's financial statements. District-wide financial statements (statement of net position and statement of activities), prepared using full accrual accounting for all of the Academy's activities, have been provided.

CAPSTONE ACADEMY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Net Position and Fund Balance (continued)

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Control

The Academy is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgetary Act) and fully complied with Act's requirements summarized below:

1. Budgets must be adopted for the general fund and then any other special funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Summary

The Academy formally adopted a general fund budget by revenue major class and expenditure major function in June 2024. Expenditures at this

level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations lapse at year end and encumbrances are not included as expenditures. At July 1, 2024, in its general fund, the Academy had a beginning fund balance of \$2,549,010. At year ended June 30, 2025, the Academy had recorded \$2,487,148 in revenues, \$3,825,328 in expenditures and an ending fund balance of \$1,210,831. Additional budget details can be found in the supplemental sections of this report.

CAPSTONE ACADEMY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS
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NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
(continued)

Budget Summary (continued)

No encumbrances or debt were outstanding in the general fund at June 30, 2025. During the year, the budget was amended two times in a legally permissible manner, including at the end of the fiscal year. There were no variances in violation of Michigan's Uniform Budgeting and Accounting Act.

The combined statement of revenues, expenditures and changes in fund balances – all fund types – is presented in conformity with generally accepted accounting principles (GAAP). The combined statement of revenues, expenditures and changes in fund balances – budget vs. actual – is presented on the same basis of accounting used in preparing the adopted budget.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

The Academy's deposits are in accordance with statutory authority. The Academy has designated one bank for the deposit of its operational funds and has not adopted any other formal investment policy.

As of June 30, 2025, the Academy's deposits and investments were reported in the basic financial statements as cash and cash equivalents of \$730,057. The deposits of the Academy were reflected in the accounts of the financial institution as approximately \$805,465. The difference between these amounts is due to checks in transit not yet cleared through the bank. Of the total cash and equivalents reflected above, \$454,656 is attributed to the Academy's money market accounts for the year ended June 30, 2025. The Academy's cash and investments are subject to custodial credit risk, which is examined in more detail below.

CAPSTONE ACADEMY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy evaluates its depositories and only those with an acceptable risk level are used for its deposits. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. At year ended June 30, 2025, the Academy's deposits were FDIC insured up to \$750,000 leaving approximately \$55,465 uninsured.

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the Academy's governmental activities was as follows:

Governmental Activities	Balance July 1, 2024	Additions	Disposals & Adjustments	Balance June 30, 2025
Capital assets being depreciated:				
Furniture & equipment	\$ 6,199	\$ -	\$ -	\$ 6,199
Computer equipment	217,762	-	-	217,762
Buildings - leased	220,610	-	-	220,610
Computer equipment - leased	67,472	587	-	68,059
Total capital assets being depreciated:	512,043	587	-	512,630
Accumulated depreciation:				
Furniture & equipment	5,416	321	-	5,737
Computer equipment	159,264	29,579	-	188,843
Buildings - leased	121,870	45,552	-	167,422
Computer equipment - leased	67,472	587	-	68,059
Total accumulated depreciation:	354,022	76,039	-	430,061
Net capital assets being depreciated:	<u>\$ 158,021</u>	<u>\$ (75,452)</u>	<u>\$ -</u>	<u>\$ 82,569</u>

CAPSTONE ACADEMY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 - CAPITAL ASSETS (continued)

Capital Assets Liabilities: At year-ended June 30, 2025, net capital assets, relative to depreciation/amortization and short- and long-term liabilities, were as follows:

Net Capital Assets, less depreciation	<u>\$ 82,569</u>
Capital Assets - Liabilities	
Within 1 Year	
Buildings	<u>45,552</u>
Total Short-term	<u>45,552</u>
More than 1 Year	
Buildings	<u>7,636</u>
Total Long-term	<u>7,636</u>
Capital Assets - Total Liabilities	<u>53,188</u>
Net Capital Assets (less depreciation and debt obligations)	<u>\$ 29,381</u>

Depreciation: Depreciation expense was not charged to specific activities as the Academy considers its assets to impact multiple activities and allocation is not practical. Total depreciation expenses, with all prior year adjustments, were as follows:

Governmental activities	
Specific activities	\$ -
Unallocated	<u>76,039</u>
Total governmental activities	<u>\$ 76,039</u>

CAPSTONE ACADEMY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 - CAPITAL LEASES

While all computer leases expired prior to the year ending June 30, 2025, the Academy continues to lease building space for its community-based program. All lease details, including projected payment schedules through maturity are depicted in the table below:

Riverbend Building Lease				
2024-2025				
(7% Implied Interest)	Principal	Interest	Total	
Restated Lease at July 1, 2021	\$ 206,177	\$ 14,432	\$ 220,610	
Balance June 30, 2022	175,251	12,268	187,519	Y1
Adjustment to Original Estimates	(3,412)	(239)	(3,651)	
	171,839	12,029	183,868	
Less				
2022-2023 Payments	37,823	2,648	40,471	Y2
2023-2024 Payments	41,736	2,922	44,657	Y3
2024-2025 Payments	42,572	2,980	45,552	Y4
Balance at June 30, 2025	49,708	3,480	53,188	
Projected Payments				
2025-2026	42,572	2,980	45,552	Y5
2026-2027	7,136	500	7,636	Y6
Total Future Payments	49,708	3,480	53,188	
Total Principal and Interest	\$ 206,177	\$ 14,432	\$ 220,610	
Total Long-term Debt	\$ 7,136	\$ 500	\$ 7,636	

*Lease ends on 10/31/2026, 8 months prior to year ending June 30, 2027.

Short-term debt:	45,552
Long-term debt:	7,636
	53,188

CAPSTONE ACADEMY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 - CAPITAL LEASES (continued)

Lease Payments Maturity Schedule

Lessor	2019 -2020	2020 -2021	2021 -2022*	2022 -2023	2023 -2024	2024 -2025	2025 -2027	Projected Totals
Bldg Lease	-	-	36,742	40,471	44,657	45,552	53,188	220,610
CIT 1	2,927	6,143	5,215	4,582	952	-	-	19,818
CIT 2	5,699	6,365	6,242	5,199	1,199	-	-	24,703
CIT 3	2,893	5,367	5,758	5,518	1,793	-	-	21,329
Adjustments	-	-	-	-	1,622	587	-	2,209
Totals	11,519	17,875	53,956	55,769	50,223	46,139	53,188	288,669

* Lease payments per year are re-estimated each subsequent year of the lease, and are subject to future adjustments. All estimates for facility leases are based on 5-year renewals, restated at each subsequent renewal.

NOTE 6 - OPERATING LEASES -- SPECIAL

In June 2025, the Academy renewed its annual operating lease agreement with Wayne County for use of certain spaces in its juvenile detention facilities. In consideration of one dollar (\$1) per year, Wayne County grants non-exclusive classroom use licenses to the Academy. The lease is extended annually and customarily corresponds to the length of term of the Academy's charter contract with DPSCD, which currently is through June 30, 2026.

NOTE 7 - MANAGEMENT AGREEMENT

The Academy has entered into a management agreement with edtec central, LLC (Management Company), a for-profit corporation. The Management Company is responsible for all management, operation, administration, and education at the Academy. Further, all Academy personnel are provided by the Management Company.

The total management fee expensed by the Academy for the current year ended June 30, 2025 approximated \$265,074. Prior year management fees based on final close-out of the special multiple-year federal program grant – the Elementary and Secondary School Emergency Relief Fund (ESSER) authorized under the American Rescue Plan (ARP) Act of 2021, related to Covid – amounted to \$166,770.

CAPSTONE ACADEMY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 - MANAGEMENT AGREEMENT (continued)

The management agreement between the Academy and edtec central, LLC is extended annually and allows for a mutually-agreed upon reduction in the fee when the normal fee would cause the Academy undue financial hardship. No such reduction was needed for the period ended June 30, 2025.

NOTE 8 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

NOTE 9 - PRIOR PERIOD ADJUSTMENTS

The Academy recorded a final payment and corresponding depreciation expense of \$587 for the year ending June 30, 2025, at the close-out of its computer leases. Management considers this adjustment immaterial and having no impact on the overall statement of capital assets, net of accumulated depreciation and related debt that has been recorded for the Academy through the year ended June 30, 2025 and all prior years.

NOTE 10 - RECENT ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-based information Technology Arrangements*. This Statement provides guidance on the accounting of financial reporting for subscription-based information technology arrangements (SBITAs) for governmental end users (governments). GASB Statement 96 1) defines an SBITA; 2) establishes that an SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of an SBITA; and 4) requires note disclosures regarding an SBITA.

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JUNE 30, 2025

NOTE 10 - RECENT ACCOUNTING PRONOUNCEMENTS (continued)

To the extent relevant, the standards for the SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Academy continues to evaluate the impact this standard may have on future financial statements.

For the year ended June 30, 2025, the Academy had no right-to-use subscription-based agreements that extended beyond the end of the fiscal year.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events have been evaluated from the June 30, 2025 end of the fiscal year through October 22, 2025, which is the date the financial statements were available to be issued. On October 16, 2025, the Academy received an early warning letter from the Michigan Department of Treasury requesting an explanation of a 50% decrease in the estimated ending fund balance when compared to the prior year. The Academy's leadership team will be submitting the requested explanation and corresponding form, to the Department, by the due date of November 15, 2025.

There are no other subsequent events to report.

Events occurring after October 22, 2025 have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTAL INFORMATION

**CAPSTONE ACADEMY CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025
GENERAL FUND - 11**

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Over/(Under)
				Final
				to Actual
Revenues				
Local revenues	\$ 55,304	\$ 106,547	\$ 124,895	18,348
State program revenues	2,554,998	1,791,549	1,791,542	(7)
Federal program revenues	1,974,083	594,870	570,711	(24,159)
Total revenues	4,584,385	2,492,967	2,487,148	(5,818)
Expenditures				
Current				
Instructional services	1,608,801	1,346,318	1,294,901	(51,417)
Supporting services				
Pupil support services	239,857	364,496	337,021	(27,475)
Instructional staff services	367,852	290,022	270,247	(19,776)
General administration services	515,817	495,063	491,007	(4,057)
School administration services	240,773	253,375	251,161	(2,214)
Business services	440,571	468,396	466,057	(2,339)
Operations and maintenance services	198,269	204,151	201,889	(2,262)
Transportation services	4,069	916	800	(116)
Central services	379,090	492,981	490,641	(2,339)
Community services	23,021	24,286	21,605	(2,681)
Total expenditures	4,018,120	3,940,004	3,825,328	(114,676)
Excess (Deficiency) of Revenues Over Expenditures	566,265	(1,447,037)	(1,338,180)	108,858
Other Financing Sources (Uses)				
Operating transfers - in	-	-	-	-
Operating transfers - out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balance	566,265	(1,447,037)	(1,338,180)	108,858
Fund Balance - July 1, 2024	1,806,637	2,549,010	2,549,010	-
Fund Balance - June 30, 2025	\$ 2,372,902	\$ 1,101,973	\$ 1,210,831	\$ 108,858

See accompanying notes to the financial statements.