

PEMBROKE CHARTER ACADEMY

Financial Statements and Additional Information as of and for the Year Ended June 30, 2026, and Independent Auditor's Reports

NATIONAL HERITAGE ACADEMIES™

PEMBROKE CHARTER ACADEMY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1–3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4–8
BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2026:	
Academy-Wide Financial Statements (Governmental Activities):	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet — Governmental Funds and the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds and the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Notes to Financial Statements	13–19
REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2026:	
Budgetary Comparison Schedule:	
General Fund	20
Notes to the Required Supplementary Information	21-22
ADDITIONAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2026:	
Statement of Revenues — General Fund	23
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*	24–25

THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Pembroke Charter Academy

Opinions

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, 2026, 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, 2026, 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 opinion.

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.

Required Supplementary Information (continued)

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 22, 2026, 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 22, 2026

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, 2026. 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

Overview of the Financial Statements

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.

Reporting the Academy as a whole — Academy-wide Financial Statements (continued)

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 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 as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

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 of 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.

Financial Summary

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:

	2026	2025
Assets - current	$ 1,064,364	$ 1,059,813
Liabilities - current	1,033,601	990,618
Net position:		
Unrestricted	30,763	69,195
Total net position	$ 30,763	$ 69,195

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:

	2026	2025
Revenues		
State aid	$ 4,844,491	$ 3,856,669
Operating grants	1,734,055	1,537,159
Private sources - NHA	1,064,498	1,392,781
Total revenues	7,643,044	6,786,609
Expenses		
Contracted service fee:		
Instruction	3,045,310	3,097,763
Support services	3,479,491	3,703,904
Grant-funded program expenditures:		
Instruction	864,435	-
Support services	292,240	-
Total expenses	7,681,476	6,801,667
Change in net position	$ (38,432)	$ (15,058)

Detailed Analysis

As reported in the Statement of Activities, the cost of governmental activities was $7,681,476. 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 $38,432 in 2026. 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 and the revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in governmental funds. As of June 30, 2026, the Academy had $55,725 in unavailable revenue.

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 combined fund balance was $30,763 at June 30, 2026.

Budgeted revenues for the General Fund were increased by $605,783 from the original budget. Budgeted expenditures for the General Fund were increased by $615,492. 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 required supplementary information.

Significant Capital Assets and Long-term Financing Activity

As of June 30, 2026, the Academy did not have any capital assets or long-term financing activities.

Currently Known Facts, Decisions, or Conditions

Our officials and administration consider many factors when setting the Academy's 2027 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 2027 fiscal year is expected to be 90% and 10% of the October 2026 and February 2026 student counts, respectively. The 2027 budget was adopted in May 2026. Approximately 74% 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 2027 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2027 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 the original appropriation

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, 2026

	Governmental Activities
ASSETS	
CURRENT ASSETS:	
Cash	$ 53,069
Due from governmental revenue sources	1,011,295
TOTAL	$ 1,064,364
LIABILITIES AND NET POSITION	
LIABILITIES:	
Unearned revenue	$ 814,526
Accounts payable	23,009
Contracted service fee payable	196,066
Total liabilities	1,033,601
NET POSITION:	
Unrestricted	30,763
TOTAL	$ 1,064,364

See notes to Financial Statements

PEMBROKE CHARTER ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

FUNCTIONS/PROGRAMS —	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Governmental Activities Net (Expense) Revenue and Changes in Net Position
Contracted service fee:				
Instruction	$ 3,045,310	$ -	$ -	$ (3,045,310)
Support services	3,479,491	-	-	(3,479,491)
Grant-funded program expenditures:				
Instruction	864,435	-	1,125,174	260,739
Support services	292,240	-	608,881	316,641
Total governmental activities	$ 7,681,476	$ -	$ 1,734,055	(5,947,421)
GENERAL PURPOSE REVENUES:				
State aid unrestricted				4,844,491
Private sources - NHA				1,064,498
Total general purpose revenue				5,908,989
CHANGE IN NET POSITION				(38,432)
NET POSITION:				
Beginning of year				69,195
End of year				$ 30,763

See notes to Financial Statements

PEMBROKE CHARTER ACADEMY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2026

	Total Governmental Funds
ASSETS	
Cash	$ 53,069
Due from governmental revenue sources	1,011,295
TOTAL	$ 1,064,364
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Unearned revenue	$ 814,526
Accounts payable	23,009
Contracted service fee payable	140,341
Total liabilities	977,876
DEFERRED INFLOWS OF RESOURCES:	
Unavailable revenue	55,725
Total liabilities and deferred inflows of resources	1,033,601
FUND BALANCE:	
Committed	13,512
Unassigned	17,251
Total fund balance	30,763
TOTAL	$ 1,064,364
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	
Total governmental fund balance	$ 30,763
Due from governmental revenue sources not available to pay current period expenditures therefore deferred in the funds	55,725
Contracted service fee payable not due and payable in the current period and not reported in the funds	(55,725)
Net position of governmental activities	$ 30,763

See notes to Financial Statements

PEMBROKE CHARTER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

	Total Governmental Funds
REVENUES:	
State aid	$ 4,844,491
Other state sources	968,866
Federal sources	272,516
Private sources	250,370
Local sources	216,016
Private sources - NHA	1,064,498
Total revenues	7,616,757
EXPENDITURES:	
Contracted service fee:	
Instruction	3,045,310
Support services	3,453,204
Total contracted service fee	6,498,514
Grant-funded program expenditures:	
Instruction	864,435
Support services	292,240
Total grant-funded program expenditures	1,156,675
Total expenditures	7,655,189
NET CHANGE IN FUND BALANCE	(38,432)
FUND BALANCE — Beginning of year	69,195
FUND BALANCE — End of year	$ 30,763
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	
Net change in fund balance — total governmental funds	$ (38,432)
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	55,725
Revenue reported in the governmental funds as available and measurable — reported in the statement of activities in prior years	(29,438)
Contracted service fee recognized consistent with the revenue policy	(26,287)
Change in net position of governmental activities	$ (38,432)

See notes to Financial Statements

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, 2026, paid to the Central Michigan University Board of Trustees was $143,424.

The Academy is exempt from taxation as a governmental entity pursuant to Internal Revenue Code Section 115. The Academy qualifies for public charity status by meeting the requirements of Internal Revenue Code Sections 509(a)(1) and 170(b)(1)(A)(ii).

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 2025 through August 2026.

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 as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources. NHA is considered a related party to the Academy.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Academy-Wide and Fund Financial Statements (continued)

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.

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 for 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2026 represents bank deposits which are covered by federal depository insurance. Accordingly, there are no investments which are required to be categorized according to risk.

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, 2026, there was a deferred inflow of resources recognized for unavailable revenue for $55,725 and a liability for unearned revenue was recognized for $814,526.

Contracted Service Fee Payable — Contracted service fee payable as of June 30, 2026 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, 2026, the Academy had $13,512 in committed fund balance and $17,251 in unassigned fund balance.

Adoption of New Accounting Pronouncements — For the year ended June 30, 2026, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 103, Financial Reporting Model Improvements. Statement No. 103 establishes requirements for the content of management's discussion and analysis (MD&A), which is now organized into five sections: an overview of the financial statements; a financial summary; detailed analyses; significant capital asset and long-term financing activity; and currently known facts, decisions, or conditions. The Statement also requires that budgetary comparison information be presented as required supplementary information, showing variances between the original and final budgets and between the final budget and actual amounts, with explanations of significant variances presented in the notes to the required supplementary information. The provisions of Statement No. 103 relating to unusual or infrequent items, proprietary fund statements, and major component units do not apply to the Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Adoption of New Accounting Pronouncements (continued)

The adoption of Statement No. 103 affected only the presentation of the MD&A and the budgetary comparison information and had no effect on the Academy's net position or fund balance as of July 1, 2025.

The Academy also adopted GASB Statement No. 104, Disclosure of Certain Capital Assets, which requires that lease assets, subscription assets, public-private partnership assets, and other intangible assets be disclosed separately by major class, and establishes disclosures for capital assets held for sale. The Academy does not own or report any capital assets. Its facility is subleased from National Heritage Academies, Inc. under a short-term arrangement (Note 8), and its equipment and software are provided under the services agreement (Note 1). Accordingly, the adoption of Statement No. 104 had no effect on the Academy's financial statements.

NOTE 3 - DUE FROM GOVERNMENTAL REVENUE SOURCES

Amounts due from other governmental units consist of the following:

State	$ 943,001
Federal	55,725
Other	12,569
	$ 1,011,295

The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

NOTE 4 – UNEARNED REVENUE

Unearned revenue as of June 30, 2026, included the following:

Grant	Amount
At-risk 31a	$ 344,975
31aa Mental Health Grant	222,558
United Way - Ballmer	196,000
Other grants	50,993
	$ 814,526

NOTE 5 – GRANT-FUNDED PROGRAM EXPENDITURES

In addition to the contracted service fee, the Academy incurs expenditures for programs funded by state and federal grants, including Section 31a at-risk, special education, Title I, Title II-A, and Title IV. These costs are incurred by NHA on behalf of the Academy and charged to the Academy at actual cost. For the year ended June 30, 2026, grant-funded program expenditures were $864,435 for instruction and $292,240 for support services, a total of $1,156,675.

NOTE 6 – 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 2026, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

NOTE 7 – 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.

NOTE 8 – 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, 2025 through June 30, 2026. Annual rental payments required by the lease are 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. The lease agreement can be cancelled 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 12 months or less and applicability of the short-term lease exception for the facility lease agreement. The year-to-year renewal periods are excluded because both parties can terminate them.

NOTE 9 – ECONOMIC DEPENDENCE AND CONCENTRATIONS

State Funding — The Academy's operations are funded primarily by the State of Michigan. For the year ended June 30, 2026, state sources, consisting of the per-pupil foundation allowance and state categorical funding, totaled $5,813,357, or approximately 76% of total General Fund revenues. State aid is based on the Academy's blended pupil membership count and the per-pupil foundation allowance set each year in the State School Aid Act, and it is subject to annual appropriation by the Michigan Legislature.

NOTE 9 – ECONOMIC DEPENDENCE AND CONCENTRATIONS (continued)

State Funding (continued)

As a public school academy, the Academy does not have authority to levy property taxes and therefore has limited ability to replace a reduction in state funding with other revenue. The State School Aid Act for the fiscal year ending June 30, 2027 was enacted in July 2026 and sets the foundation allowance at $10,300 per pupil.

Services Agreement with National Heritage Academies, Inc. — As described in Note 1, the Academy relies on NHA for all personnel, administrative services, and the facility in which it operates. Contracted service fees to NHA were $6,498,514, or approximately 85% of total expenditures, for the year ended June 30, 2026. NHA also contributed $1,064,498, or approximately 14% of total revenues, to fund expenditures in excess of public revenues. Either party may terminate or renegotiate the agreement with 90 days' written notice, and the agreement expires on June 30, 2030.

The facility sublease has been renewed through June 30, 2027. If the agreement were terminated, the Academy would need to obtain personnel, administrative services, and a facility from other sources.

Charter Contract — The Academy operates under a charter contract with Central Michigan University that expires June 30, 2030 and is subject to renewal and to the oversight described in Note 1.

As of October 22, 2026, the date the financial statements were available to be issued, no events associated with these concentrations had occurred or begun to occur, and management does not believe such events are more likely than not to begin within 12 months of that date.

NOTE 10 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of the amounts budgeted are a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2026 the budget was amended in a legally permissible manner. A comparison of amounts appropriated against actual results can be found on page 20 of these financial statements.

During the year the Academy incurred total actual expenditures in the General Fund which were in excess of amounts budgeted by $127,177.

NOTE 11 – SUBSEQUENT EVENTS

As of July 1, 2026, the Academy amended its existing related party lease agreement for its school facility. The amendment extends the lease term through June 30, 2027. All other terms and conditions of the lease remain unchanged.

Subsequent events have been evaluated through October 22, 2026, which is the date the financial statements were available to be issued. Events occurring after the date have not been evaluated.

REQUIRED SUPPLEMENTARY INFORMATION

PEMBROKE CHARTER ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2026

	Original Budget	Final Amended Budget	Over (Under) Original Budget	Actual	Over (Under) Final Budget
REVENUES:					
State aid	$ 4,478,693	$ 4,841,000	$ 362,307	$ 4,844,491	$ 3,491
Other state sources	635,755	1,036,918	401,163	968,866	(68,052)
Local sources	130,702	159,900	29,198	216,016	56,116
Federal sources	418,395	250,986	(167,409)	272,516	21,530
Private sources	15,960	198,010	182,050	250,370	52,360
Private sources - NHA	1,233,015	1,031,489	(201,526)	1,064,498	33,009
Total Revenues	6,912,520	7,518,303	605,783	7,616,757	98,454
EXPENDITURES:					
Instruction:					
Basic instruction	2,545,396	2,921,166	375,770	2,979,213	58,047
Added needs	664,202	886,528	222,326	930,532	44,004
Support services:					
Pupil services	457,307	369,071	(88,236)	401,901	32,830
Instructional staff services	649,430	635,336	(14,094)	600,466	(34,870)
General administration	296,304	310,386	14,082	339,777	29,391
School administration	591,307	698,510	107,203	703,373	4,863
Business & internal services	108,397	105,227	(3,170)	106,908	1,681
Central services	279,438	275,458	(3,980)	253,151	(22,307)
Pupil transportation services	53,580	9,550	(44,030)	2,204	(7,346)
Other support services	-	1,213	1,213	11,231	10,018
Operations & maintenance	1,258,507	1,315,342	56,835	1,322,068	6,726
Community activities	8,343	-	(8,343)	4,222	4,222
Welfare activities	309	225	(84)	143	(82)
Total Expenditures	6,912,520	7,528,012	615,492	7,655,189	127,177
NET CHANGE IN FUND BALANCE	-	(9,709)	(9,709)	(38,432)	(28,723)
FUND BALANCE - Beginning of year	-	-	-	69,195	69,195
FUND BALANCE - End of year	$ -	$ (9,709)	$ (9,709)	$ 30,763	$ 40,472

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

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

The Academy adheres to the following procedures in establishing budgetary data reflected in the financial statements:

- Prior to June 30, management submits to the board of directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means for financing them. All budgets lapse at year-end.

- By June 30, the budget is adopted by the board of directors.

- Expenditures may not legally exceed appropriations at the fund level.

- Revisions that alter the total expenditures of any fund must be approved by the board of directors.

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.

NOTE 2 - BUDGETARY COMPARISON

Significant variances between final budget and original budget:

	Variance	Explanation
REVENUES:		
State Aid	$ 362,307	The initial budget assumed 442 FTE at a per-pupil rate of $10,127. The Final Amended budget reflects 476 FTE at a per-pupil rate of $10,050.
Other State Sources	401,163	This is driven by changes in investment planning related to the 31a grant.
Federal Sources	(167,409)	This is driven by changes in Title I, IIA, and IV investment planning.
Private Sources	182,050	This is driven by the addition of Summer Discovery grant programming.
Private sources - NHA	(201,526)	Due to higher revenue than anticipated, Pembroke required a smaller contribution from NHA to cover its expenses.
EXPENDITURES:		
Contracted service fee:		
Instruction:		
Basic Instruction	375,770	This is driven by the addition of 31a grant-funded teacher retention bonuses
Added Needs	222,326	This is driven by the addition of 1.0 FTE SPED teachers and higher than anticipated expense for grant-funded at-risk teachers and tutors
Support Services:		
School Administration	107,203	This is driven by higher than anticipated marketing expense due to changes in marketing strategy.

ADDITIONAL INFORMATION

PEMBROKE CHARTER ACADEMY
ADDITIONAL INFORMATION
STATEMENT OF REVENUES – GENERAL FUND
YEAR ENDED JUNE 30, 2026

State aid	$	4,844,491
Other state sources:		
Special education		93,791
At-risk		840,298
Grants		34,777
Total		968,866
Federal sources — grants		272,516
Private sources — other		250,370
Local sources		216,016
Private sources — NHA		1,064,498
TOTAL	$	7,616,757

THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Pembroke Charter Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of Pembroke Charter Academy, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Pembroke Charter Academy's basic financial statements, and have issued our report thereon dated October 22, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Pembroke Charter Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Pembroke Charter Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

The Clairmount Group, PLC

Detroit, Michigan
October 22, 2026