Paragon Charter Academy

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

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Paragon Charter Academy

Contents

Independent Auditor's Report 1-2

Management's Discussion and Analysis 3-6

Basic Financial Statements

Academy-wide Financial Statements:
- Statement of Net Position 7
- Statement of Activities 8

Fund Financial Statements -
Governmental Fund:
- Balance Sheet 9
- Reconciliation of the Balance Sheet to the Statement of Net Position 10
- Statement of Revenue, Expenditures, and Changes in Fund Balance 11
- Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities 12

Notes to Financial Statements 13-17

Required Supplementary Information 18

Budgetary Comparison Schedule - General Fund 19
Note to Required Supplementary Information 20

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* 21-22

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Independent Auditor's Report

To the Board of Directors
Paragon Charter Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of Paragon Charter Academy (the "Academy") as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise Paragon Charter Academy's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Paragon Charter Academy as of June 30, 2026 and the respective changes in its 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 (GAAS) 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 the Academy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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.

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In performing an audit in accordance with GAAS 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 the 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 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 schedule 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2026 on our consideration of Paragon Charter Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Paragon 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 Paragon Charter Academy's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 8, 2026

This section of the annual financial report for Paragon 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.

Overview of the Financial Statements

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 and 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 most significant fund, the General Fund.

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements

Academy-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

Note to Required Supplementary Information

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 revenue and expenses are taken into account, regardless of when cash is received or paid.

The Academy's 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 revenue 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 substantially all 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. However, the Academy establishes other funds to help it control and manage money for particular purposes or as required 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 the revenue that is measurable and currently available is 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 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.

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2026 and 2025:

	Governmental Activities	
	2026	2025
	(in thousands)	
Assets - Current		
Current and other assets	$ 1,199.5	$ 1,340.1
Capital assets	3.3	3.6
Total assets	1,202.8	1,343.7
Liabilities - Current	1,188.0	1,336.2
Net Position		
Net investment in capital assets	3.3	3.6
Unrestricted	11.5	3.9
Total net position	**$ 14.8**	**$ 7.5**

The $11.5 thousand in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements and to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of operations for the Academy as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30:

	Governmental Activities	
	2026	2025
	(in thousands)	
Revenue		
Program revenue:		
Charges for services	$ 95.8	$ 96.4
Operating grants	1,245.6	1,586.5
General revenue - State aid not restricted to specific purposes	6,166.5	6,175.0
Total revenue	7,507.9	7,857.9
Expenses		
Instruction	3,428.8	3,567.9
Support services	4,026.8	4,252.6
Community services	44.7	53.3
Depreciation expense (unallocated)	0.3	0.3
Total expenses	7,500.6	7,874.1
Change in Net Position	7.3	(16.2)
Net Position - Beginning of year	7.5	23.7
Net Position - End of year	**$ 14.8**	**$ 7.5**

As reported in the statement of activities, the cost of all of our governmental activities this year was $7,500.6 thousand. 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.

The Academy experienced an increase in net position of $7.3 thousand 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.

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 consider whether the Academy is being accountable for the resources that the State and others provide to it and may provide more insight into the Academy's overall financial health.

The Academy's instruction and support services activities are reported in the General Fund. The Academy's fund balance was $11,484 at June 30, 2026.

Capital Assets

At June 30, 2026, the Academy had $3.3 thousand invested in capital assets, primarily other equipment. Capital assets are substantially provided as part of the agreement with NHA.

Currently Known Facts, Decisions, or Conditions

Our officials and administration consider many factors when setting the Academy's 2026-2027 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 percent and 10 percent of the October 2026 and February 2026 student counts, respectively. The budget was adopted in May 2026. Approximately 80 percent of total General Fund revenue is from the foundation allowance. As a result, the Academy's 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 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 original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to public school academies. The State periodically holds a revenue estimating conference to estimate revenue. If the State's estimated 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 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. at 3850 Broadmoor SE, Grand Rapids, MI 49512.

Paragon Charter Academy

Statement of Net Position

June 30, 2026

	Governmental Activities
Assets	
Cash	$ 31,710
Due from governmental revenue sources	1,167,754
Capital assets - Net	3,300
Total assets	1,202,764
Liabilities	
Contracted service fee payable	632,274
Unearned revenue	555,706
Total liabilities	1,187,980
Net Position	
Net investment in capital assets	3,300
Unrestricted	11,484
Total net position	**$ 14,784**

See notes to financial statements.

Paragon Charter Academy

Statement of Activities

Year Ended June 30, 2026

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 3,428,754	$ -	$ 661,091	$ (2,767,663)
Support services	4,026,774	95,786	584,510	(3,346,478)
Community services	44,757	-	-	(44,757)
Depreciation expense (unallocated)	300	-	-	(300)
Total primary government	**$ 7,500,585**	**$ 95,786**	**$ 1,245,601**	(6,159,198)
General revenue - State aid not restricted to specific purposes				6,166,532
Change in Net Position				7,334
Net Position - Beginning of year				7,450
Net Position - End of year				**$ 14,784**

Paragon Charter Academy

Governmental Fund Balance Sheet

June 30, 2026

	General Fund
Assets	
Cash	$ 31,710
Due from governmental revenue sources	1,167,754
Total assets	**$ 1,199,464**
Liabilities	
Contracted service fee payable	$ 584,667
Unearned revenue	555,706
Total liabilities	1,140,373
Deferred Inflows of Resources - Unavailable revenue	47,607
Total liabilities and deferred inflows of resources	1,187,980
Fund Balance	
Committed	5,281
Unassigned	6,203
Total fund balance	11,484
Total liabilities, deferred inflows of resources, and fund balance	**$ 1,199,464**

See notes to financial statements.

Paragon Charter Academy

Governmental Fund
Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2026

Fund Balance Reported in Governmental Fund	$	11,484
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets and lease assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets		44,375
Accumulated depreciation		(41,075)
Net capital assets and lease assets used in governmental activities		3,300
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		47,607
Contract service fee payable not due and payable in the current period and not reported in the governmental funds		(47,607)
Net Position of Governmental Activities	**$**	**14,784**

See notes to financial statements.

Paragon Charter Academy

Governmental Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2026

	General Fund
Revenue	
State sources	$ 6,956,110
Federal sources	211,352
Interdistrict sources	198,783
Private sources	109,818
Total revenue	7,476,063
Expenditures	
Current:	
Instruction	3,428,754
Support services	3,994,918
Community services	44,757
Total expenditures	7,468,429
Net Change in Fund Balance	7,634
Fund Balance - Beginning of year	3,850
Fund Balance - End of year	**$ 11,484**

See notes to financial statements.

Paragon Charter Academy

Governmental Fund
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities

Year Ended June 30, 2026

Net Change in Fund Balance Reported in Governmental Fund	$	7,634
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation - Depreciation expense		(300)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available		47,607
Revenue reported in the governmental funds as available and measurable - Reported in the statement of activities in prior years		(15,751)
Contracted service fee recognized consistent with the revenue policy		(31,856)
Change in Net Position of Governmental Activities	**$**	**7,334**

Note 1 - Nature of Operations

Paragon 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 eighth 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 Grand Valley State University, which is responsible for oversight of the Academy's operations. The charter contract expires on June 30, 2029 and is subject to renewal. The Grand Valley State University board of trustees receives 3 percent of state aid funds as an administrative fee. The total administrative fee for the year ended June 30, 2026, paid to the Grand Valley State University board of trustees, was $180,128.

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(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. The management agreement's term coincides with the charter agreement, which expires on June 30, 2029.

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

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 revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the academy-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. 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. Revenue not classified as program revenue is 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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 revenue to be available if it is 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, revenue, 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.

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Academy's fund, which is a major fund, is the General Fund.

General Fund

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

Capital Assets

Capital assets, which include other equipment, are reported in the applicable governmental column in the academy-wide financial statements at historical costs of more than $5,000 and an estimated useful life in excess of 1 year. Other equipment is depreciated using the straight-line method over useful lives of 3-10 years.

Estimates

The preparation of 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 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 revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

Cash

Cash as of June 30, 2026 represents bank deposits that are covered by federal depository insurance. Accordingly, there are no investments that are required to be categorized according to risk.

Note 2 - Summary of Significant Accounting Policies (Continued)

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. Unearned revenue is reported in connection with funds that have been received for services that have not been performed and is, therefore, not yet earned. As of June 30, 2026, a deferred inflow for unavailable revenue was recognized for $47,607 and a liability for unearned revenue was recognized for $555,706.

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.

Net Position

Net position may be classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

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 be used only 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 $5,281 in committed fund balance and $6,203 in unassigned fund balance. The committed fund balance has been committed by resolutions of the board of directors for student, parent, and staff appreciation; athletics; and board training and development.

Budgetary Information

Annual budgets are adopted on a basis utilizing generally accepted accounting principles and are consistent with state law for the General Fund.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place in July 1. The budgets can be amended by the board of directors as considered necessary. The budgets were amended to decrease budgeted revenue and expenditures for the General Fund by $97,117.

During the year ended June 30, 2026, the Academy incurred no expenditures within the General Fund that were significantly in excess of amounts budgeted.

Adoption of New Accounting Pronouncement

During the current year, the Academy adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. The new accounting standard impacted the organization and disclosure requirements of management's discussion and analysis and budgetary comparison disclosures in the required supplementary information. The implementation of this standard did not have a significant impact on the Academy's financial statements.

Note 2 - Summary of Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

In December 2025, the Governmental Accounting Standards Board issued Statement No. 105, *Subsequent Events*, which improves financial reporting requirements for subsequent events by clarifying the subsequent events time frame and the distinction between recognized and nonrecognized events. This statement also establishes specific note disclosure requirements and requires disclosure of the date through which subsequent events have been evaluated. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2027. Management has not yet determined the impact the adoption of GASB 105 will have on their financial statements.

Note 3 - Due from Governmental Revenue Sources

Receivables as of June 30, 2026 for the Academy included $1,117,435 in state aid receivable, $47,607 in federal grants receivable, $3,221 in other state receivable, and $(509) in other receivables. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Note 4 - Risk Management

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2026, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

Note 5 - Capital Assets

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

	Balance July 1, 2025	Additions	Disposals	Balance June 30, 2026
Capital assets being depreciated:				
Buildings and improvements	$ 9,000	$ -	$ -	$ 9,000
Furniture and equipment	35,375	-	-	35,375
Subtotal	44,375	-	-	44,375
Accumulated depreciation:				
Buildings and improvements	5,400	300	-	5,700
Furniture and equipment	35,375	-	-	35,375
Subtotal	40,775	300	-	41,075
Net governmental activities capital assets	$ 3,600	$ (300)	$ -	$ 3,300

Note 6 - 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 moneys 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 moneys.

Note 7 - Leases

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 $766,080, payable in 12 monthly payments of $63,840. This lease is automatically renewed on a year-to-year basis unless a notice of nonrenewal is provided by either the Academy or NHA. The lease agreement can be canceled upon termination of the NHA services agreement.

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

The Academy subsequently renewed the sublease with NHA for the period from July 1, 2026 through June 30, 2027 at the same rental rate.

Required Supplementary Information

Paragon Charter Academy

Required Supplementary Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget - (Under) Over Final Budget	Actual	Variance with Final Budget - (Under) Over Actual Amounts
Revenue					
State sources	$ 7,217,880	$ 7,134,223	$ (83,657)	$ 6,956,110	$ (178,113)
Federal sources	342,691	256,417	(86,274)	211,352	(45,065)
Interdistrict sources	105,500	183,300	77,800	198,783	15,483
Private sources	111,300	106,314	(4,986)	109,818	3,504
Total revenue	7,777,371	7,680,254	(97,117)	7,476,063	(204,191)
Expenditures					
Current:					
Instruction:					
Basic programs	2,377,300	2,531,710	154,410	2,501,538	(30,172)
Added needs	1,024,384	915,276	(109,108)	927,216	11,940
Total instruction	3,401,684	3,446,986	45,302	3,428,754	(18,232)
Support services:					
Pupil	312,536	260,520	(52,016)	267,795	7,275
Instructional staff	822,053	839,290	17,237	800,697	(38,593)
General administration	480,572	412,985	(67,587)	388,174	(24,811)
School administration	656,235	726,013	69,778	708,621	(17,392)
Business	208,103	156,801	(51,302)	141,418	(15,383)
Operations and maintenance	1,306,308	1,339,302	32,994	1,310,689	(28,613)
Pupil transportation services	36,665	36,500	(165)	26,254	(10,246)
Central	510,361	395,495	(114,866)	327,739	(67,756)
Other	6	20,482	20,476	23,531	3,049
Total support services	4,332,839	4,187,388	(145,451)	3,994,918	(192,470)
Community services	42,848	45,880	3,032	44,757	(1,123)
Total expenditures	7,777,371	7,680,254	(97,117)	7,468,429	(211,825)
Net Change in Fund Balance	-	-	-	7,634	7,634
Fund Balance - Beginning of year	3,850	3,850	-	3,850	-
Fund Balance - End of year	**$ 3,850**	**$ 3,850**	**$ -**	**$ 11,484**	**$ 7,634**

See note to required supplementary information.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the revenue and expenditures categories, rather than as other financing sources (uses).

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level (i.e., the level at which expenditures may not legally exceed appropriations).

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once goods are delivered or the services rendered.

During the year, there were significant variances between the Academy's original and amended budget, as follows:

	Original Budget	Amended Budget	Variance
Basic programs	$ 2,377,300	$ 2,531,710	$ 154,410
Added needs	1,024,384	915,276	(109,108)
Central	510,361	395,495	(114,866)

The increase in basic programs was driven by the addition of Michigan 31a teacher retention bonuses into the original budget. The decrease in added needs was driven by changes in grant funding for at risk teachers and paraprofessionals. The decrease in budgeted central expenditures was driven by a change in the shared services expense allocation by NHA.

During the year, there were significant variances between the Academy's amended budget and actual results, as follows:

	Amended Budget	Actual	Variance
State sources	$ 7,134,223	$ 6,956,110	$ (178,113)

The decrease in state sources was mainly driven by changes in Michigan 31a and having less expenses than anticipated.

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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*

Independent Auditor's Report

To Management and the Board of Directors
Paragon Charter Academy

We have audited, 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 (*Government Auditing Standards*), the basic financial statements of the governmental activities and the major fund of Paragon Charter Academy (the "Academy") as of and for the year ended June 30, 2026 and the related notes to the basic financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 8, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 Academy's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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To Management and the Board of Directors
Paragon Charter Academy

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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 8, 2026