FLEX HIGH SCHOOL OF MICHIGAN

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

JUNE 30, 2026

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Lewis & Knopf CPAs, PC

October 26, 2026

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Flex High School of Michigan

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund of Flex High School of Michigan, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District'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 Flex High School of Michigan, as of June 30, 2026, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Flex High School of Michigan 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 Flex High School of Michigan'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.

5206 Gateway Centre | Suite 100 | Flint, MI 48507 | 810-238-4617 | 877-244-1787 | 810-238-5083 fax

additional offices in
Brighton • Fenton • Owosso

www.lewis-knopf.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Flex High School of Michigan'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 Flex High School of Michigan's ability to continue as a going concern for a reasonable period of time.

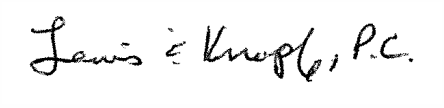
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2026, on our consideration of the Flex High School of Michigan'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 the Flex High School of Michigan'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 Flex High School of Michigan's internal control over financial reporting and compliance.



LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Lewis & Knopf CPAs, PC

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

If you have any questions about this report or need any additional information, please contact the Business Office, Flex High School of Michigan at 661-571-6316.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- *Governmental activities* comprise the District's most basic functions, such as instruction, support services, and food services. Governmental activities primarily are financed by property taxes from non-personal residence exemption properties, state aid foundation, and federal grants. These statements provide both short-term and long-term information.

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

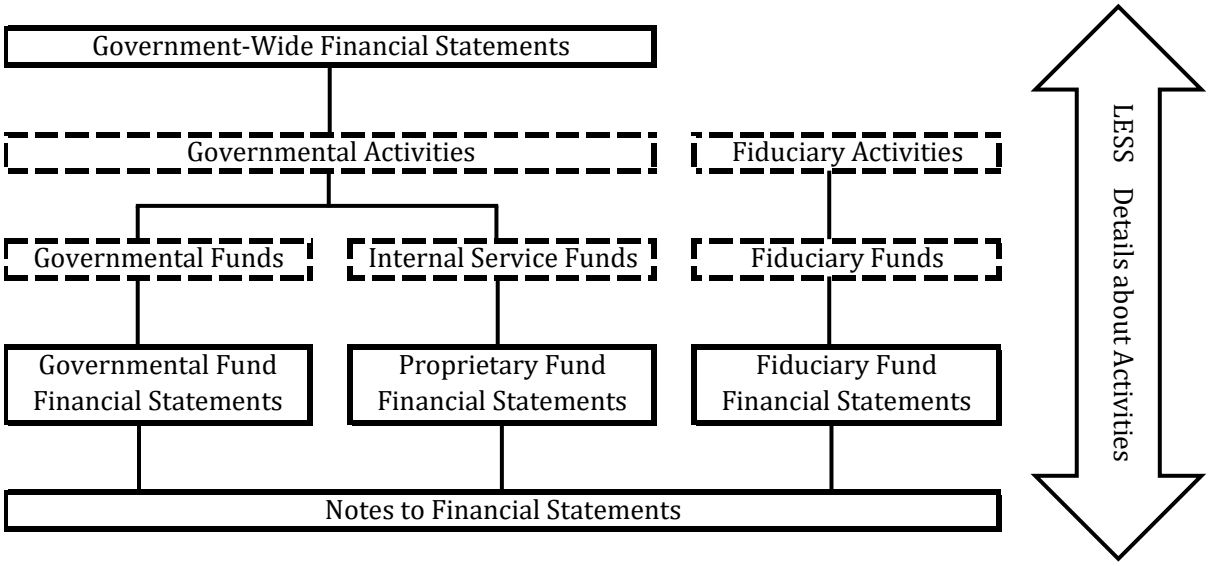
- *Governmental fund financial statements* report all of the governmental activities except those that involve providing services to District departments. In addition to the District's main operating fund - the general fund - those financial statements report special revenue funds that track the use of restricted or committed funding sources, debt service funds to record the repayment of outstanding bonds, and capital projects funds to account for resources used to acquire or construct long-lived assets.

- *Proprietary fund financial statements* report the services provided to District departments *(internal service funds).*

- *Fiduciary fund financial statements* report resources for which the District acts as a trustee or custodian. The resources in this fund do not belong to the District and cannot be used to provide services, which is why they are not included in the government-wide financial statements.

The District did not have any fiduciary or proprietary funds for the year ended June 30, 2026.

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



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

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

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

- *Assets* - resources the District controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.
- *Liabilities* - amounts the District owes, from short-term liabilities such as salaries and related items to long-term liabilities such as outstanding debt and pension obligations.
- *Deferred outflows of resources and deferred inflows of resources* - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- *Revenues and expenses* - inflows and outflows of economic resources, respectively, related to the current year.

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

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

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

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

FINANCIAL SUMMARY AND ANALYSIS OF THE DISTRICT'S FINANCES

TABLE A-1
NET POSITION

	2026	2025	Dollar Change	Total Percentage Change
Current Assets	$1,228,450	$1,354,703	($126,253)	-9.3%
Capital Assets	721,835	848,182	(126,347)	-14.9%
Total Assets	$1,950,285	$2,202,885	($252,600)	-11.5%
Long-Term Debt Outstanding	675,055	870,493	(195,438)	-22.5%
Other Liabilities	1,114,872	1,200,218	(85,346)	-7.1%
Total Liabilities	$1,789,927	$2,070,711	($280,784)	-13.6%
NET POSITION				
Net Investment in Capital Assets	(24,768)	(22,311)	(2,457)	11.0%
Unrestricted	185,126	154,485	30,641	19.8%
TOTAL NET POSITION	$160,358	$132,174	$28,184	21.3%

Table A-1 shows that as of June 30, 2026, the District's total net position - assets and deferred outflows minus liabilities and deferred inflows - was $160,358, an increase of $28,184 or 21% compared with 2025. All of the increase in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities.

GOVERNMENTAL ACTIVITIES

Table A-2 shows revenues exceeding expenses in the current year, resulting in an increase in net position. The total change in net position of the District's governmental activities was $28,184 an increase of $4,779 or 20% from 2025.

TABLE A-2
CHANGES IN NET POSITION

	2026	2025	Dollar Change	Total Percentage Change
REVENUES				
Program Revenues				
Operating Grants	$1,033,896	$1,070,498	($36,602)	-3.4%
General Revenues				
State Sources - Unrestricted	2,423,246	1,195,777	1,227,469	102.7%
Interdistrict Sources	16,972	23,496	(6,524)	-27.8%
ESP Contribution	0	618,477	(618,477)	-100.0%
Other General Revenues	14,770	20,219	(5,449)	-26.9%
Total Revenues	$3,488,884	$2,928,467	$560,417	19.1%
EXPENSES				
Instruction	1,485,063	1,135,167	349,896	30.8%
Support Services	1,757,660	1,557,589	200,071	12.8%
Interest	20,082	14,410	5,672	39.4%
Depreciation/Amortization	197,895	197,896	(1)	0.0%
Total Expenses	$3,460,700	$2,905,062	$555,638	19.1%
CHANGE IN NET POSITION	$28,184	$23,405	$4,779	20.4%

Increase in State Sources

Total student FTE increased from 111.95 in 2025 to 233.13 2026.

Decrease in ESP Contributions

The ESP agreements require the ESP to make up any deficit the school as at year-end. No ESP contributions were necessary in 2026 as the school was not in a deficit at year-end.

Increase in Expenses

The reason for increase in instruction expenses was an increase in total student FTE increased from 111.95 in 2025 to 233.13 2026.

The reason for increase in support services expenses was an increase in total student FTE increased from 111.95 in 2025 to 233.13 2026.

GOVERNMENTAL FUNDS

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

TABLE A-3
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	General Fund	
	2026	2025
REVENUES	$3,488,884	$2,309,990
EXPENDITURES	3,458,243	2,899,136
Excess (Deficiency) of Revenues Over Expenditures	$30,641	($589,146)
OTHER FINANCING SOURCES (USES)	0	618,477
NET CHANGE IN FUND BALANCE	$30,641	$29,331

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

General Fund

The fund balance of the District's general fund increased by $30,641.

The overall fund balance at the end of June 30, 2026, represented approximately 5% of operating expenditures. The District aims to have a minimum fund balance of 10% of operating expenditures. Within fund balance, approximately 100% of the balance is considered unassigned.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term obligations. Overall, the carrying value of capital assets-original cost minus accumulated depreciation - decreased 23% over 2025. See Table A-4 for the carrying value of capital assets.

TABLE A-4
CAPITAL ASSETS

	2026			2025	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Total % Change
Right to Use - Leased Building	$1,639,764	$989,477	$650,287	$848,182	-23.3%

Depreciation outpaced the additions of capital assets during the year, resulting in a net decrease in capital assets.

Long-term Obligations

Overall, the carrying value of the District's long-term obligations decreased by 23% from the prior year. See Table A-5 for the carrying value of the District's long-term obligations.

TABLE A-5
OUTSTANDING LONG-TERM OBLIGATIONS

	2026	2025	Total % Change
Notes from Direct Borrowings & Direct Placements	$675,055	$870,493	22.5%

The total amount of principal paid in the current year was $197,895.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

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

- State and Federal grant allocations
- Potential new State and Federal grants
- Cost of employee health insurance
- Student enrollment
- Cost of negotiated labor contracts

BASIC FINANCIAL STATEMENTS

FLEX HIGH SCHOOL OF MICHIGAN
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$460,778
Due from Other Governmental Units	767,672
Prepaid Expenditures	71,548
Capital Assets, Net of Accumulated Depreciation/Amortization	650,287
TOTAL ASSETS	$1,950,285
LIABILITIES	
Accounts Payable	1,066,973
Salaries Payable	47,899
Non-Current Liabilities - Due Within One Year	200,592
Non-Current Liabilities - Due in More Than One Year	474,463
Total Liabilities	$1,789,927
NET POSITION	
NET POSITION	
Net Investment in Capital Assets	(24,768)
Unrestricted	185,126
TOTAL NET POSITION	$160,358

See notes to the financial statements.

FLEX HIGH SCHOOL OF MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

FUNCTIONS/PROGRAMS	Expenses	Program Revenue: Charges for Services	Program Revenue: Program Specific Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue & Change in Net Position
Governmental Activities:				
Instruction	$1,485,063	$0	$1,033,896	($451,167)
Support Services	1,757,660	0	0	(1,757,660)
Interest	20,082	0	0	(20,082)
Depreciation/Amortization - Unallocated	197,895	0	0	(197,895)
TOTALS	$3,460,700	$0	$1,033,896	($2,426,804)
General Revenues:				
State Sources - Unrestricted				2,423,246
Other General Revenues				14,770
Interdistrict Sources				16,972
Total General Revenues				$2,454,988
Change in Net Position				$28,184
Net Position - Beginning of Year				132,174
Net Position - End of Year				$160,358

See notes to the financial statements.

FLEX HIGH SCHOOL OF MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	General Fund
ASSETS	
Cash and Cash Equivalents	$460,778
Due from Other Governmental Units	767,672
Prepaid Expenditures	71,548
TOTAL ASSETS	$1,299,998
LIABILITIES	
Accounts Payable	$1,066,973
Salaries Payable	47,899
Total Liabilities	$1,114,872
FUND BALANCES	
Non-Spendable	
Prepaid Expenditures	71,548
Unassigned	113,578
Total Fund Balances	$185,126
TOTAL LIABILITIES AND FUND BALANCES	$1,299,998

See notes to the financial statements.

FLEX HIGH SCHOOL OF MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2026

Total Governmental Fund Balances:		$185,126
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental resources and therefore are not reported as assets in governmental funds.		
Capital Assets	$1,639,764	
Less: Accumulated Depreciation/Amortization	(989,477)	
Capital Assets, Net of Accumulated Depreciation/Amortization		650,287
Long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Notes from Direct Borrowings and Direct Placements		(675,055)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$160,358

See notes to the financial statements.

FLEX HIGH SCHOOL OF MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	General Funds
REVENUES	
Local Sources	$14,770
State Sources	3,222,626
Federal Sources	234,516
Interdistrict Sources	16,972
Total Revenues	$3,488,884
EXPENDITURES	
Instruction	1,485,063
Support Services	1,757,660
Outgoing Transfers and Other Transactions	215,520
Total Expenditures	$3,458,243
Net Change in Fund Balance	$30,641
FUND BALANCE - BEGINNING OF YEAR	154,485
FUND BALANCE - END OF YEAR	$185,126

See notes to the financial statements.

FLEX HIGH SCHOOL OF MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

Total net change in fund balances - governmental funds	$30,641
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, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation/Amortization Expense	(197,895)
Payments on Installment Contracts	195,438
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$28,184

See notes to the financial statements.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Flex High School of Michigan (the "District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

A) REPORTING ENTITY

The District was formed as a charter school District pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The District received its initial charter approval from Central Michigan University on May 15, 2018. The agreement calls for a fee of 3% of unrestricted state aid revenue.

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships with of the District. Based on application of the criteria, the District does not contain component units.

The District receives funding from local, state, federal and inter-district government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

B) BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C) BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the District’s funds, including its fiduciary funds (if any). Separate statements for each fund category - governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental fund:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District.

D) MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to the financial statements is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates are primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) MEASUREMENT FOCUS, BASIS OF ACCOUNTING (Continued)

Government-wide Financial Statements - The government-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, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fiduciary Fund Financial Statements (if any) are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

The 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. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

E) CASH AND CASH EQUIVALENTS/INVESTMENTS

Cash and cash equivalents include amounts in demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) CASH AND CASH EQUIVALENTS/INVESTMENTS (Continued)

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

F) RECEIVABLES

The District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. The balance of accounts receivable at June 30, 2026 is primarily composed of amounts due from other governmental units.

G) PREPAID COSTS

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

H) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a $5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period of the estimated useful lives. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

	Governmental Activities
Description	Estimated Lives
Right to Use – Leased Building	7 - 8 years

I) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net asset or fund balance that applies to a future period(s) and thus, will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

Deferred Inflows
In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net asset that applies to a future period (s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item.

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

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

L) FUND BALANCE POLICIES
Fund balances for each of the District's governmental funds are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

* Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

* Restricted fund balance - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.

* Committed fund balance - amounts that have been formally set aside by specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.

* Assigned fund balance - amounts the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Education.

* Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

In the general fund, the goal of the District shall be to maintain a minimum unassigned fund balance of no less than 5% of the preceding year's expenditures.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M) *LEASES AND SUBSCRIPTION BASED IT ARRANGEMENTS (SBITA)*

Lessee/subscriber: The District is a lessee for a noncancelable lease/subscription of a building and an IT arrangement. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

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

Key estimates and judgements related to leases included how the District determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA payments.

* The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.

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

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

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

N) REVENUES

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

O) USE OF 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

P) MICHIGAN PUBLIC SCHOOL ACCOUNTING MANUAL

The accompanying financial statements have been prepared on a basis substantially consistent with the Michigan Public School Accounting Manual (Bulletin 1022), which outlines the accounting procedures and policies for school districts required by the Michigan State Board of Education.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q) ECONOMIC DEPENDENCY
The District receives approximately 75% of its operating revenue through the foundation allowance from the State of Michigan.

2) DEPOSITS AND INVESTMENTS
As of June 30, 2026, the District had no investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2026, $210,778 of the District's bank balance of $460,778 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $460,778.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

2) DEPOSITS AND INVESTMENTS (Continued)

The asset or liability's fair measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not have any investments subject to the fair value measurement.

3) RECEIVABLES – DUE FROM OTHER GOVERNMENTAL UNITS

Receivables at June 30, 2026, consist of accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

GOVERNMENTAL ACTIVITIES	AMOUNT
State Aid	$ 584,417
Federal Grants	183,255
TOTAL	$ 767,672

No allowance for doubtful accounts is considered necessary based on previous experience.

4) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2026, was as follows:

	Balance Beginning	Additions	Deductions	Balance Ending
GOVERNMENTAL ACTIVITIES				
Right to Use - Leased Building	$1,639,764	$0	$0	$1,639,764
Less: Accumulated Depreciation/Amortization				
Right to Use - Leased Building	(791,582)	(197,895)	0	(989,477)
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	$848,182	($197,895)	$0	$650,287

Depreciation expense was not charged to functions/programs of the primary government as the District considers its assets to impact multiple activities and allocation is not practical.

Net investment in capital assets consists of the following:

Capital Assets	$ 1,639,764
Less: Accumulated Depreciation	(989,477)
Less: Related Long-Term Liabilities	(675,055)
NET INVESTMENT IN CAPITAL ASSETS	$ (24,768)

5) SHORT-TERM DEBT

The District has various options for short-term financing including state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2026.

6) GENERAL LONG-TERM DEBT

The following is a summary of long-term obligations for the District for the year ended June 30, 2026:

Governmental Activities:	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
Notes from Direct Borrowings and Direct Placements	$870,493	$0	$195,438	$675,055	$200,592

NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS

Flex High leases the Flint Campus at 4945 & 4939 Clio Rd, Flint, Michigan, under the terms of a lease agreement that expires on April 30, 2030, with an option to renew for an additional 5 years that is reasonable to assume will be picked up. The lease requires monthly payments from $9,145 to $10,059.	$ 432,757
Flex High leases the Burton Campus at 1245 South Center Rd, Burton, Michigan, under the terms of a lease agreement that expires on February 29, 2029, with an option to renew for an additional 5 years that is reasonable to assume will be picked up. The lease requires monthly payments from $7,901 to $10,056.	242,298
TOTAL NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS	$ 675,055

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of $675,055 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual principal requirements for all debt outstanding as of June 30, 2026 are as follows:

	Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Total
June 30, 2027	$200,592	$14,928	$215,520
June 30, 2028	205,883	9,637	215,520
June 30, 2029	179,592	4,324	183,916
June 30, 2030	88,988	11,602	100,590
TOTAL	$675,055	$40,491	$715,546

Interest expense (all funds) for the year ended June 30, 2026 was $154,766.

7) RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions. The District purchases commercial insurance coverage to cover potential claims, and management believes this coverage is sufficient to protect the District from any significant adverse financial impact.

8) COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the District is involved in various pending or threatened legal actions. The District believe that any ultimate liability arising from these actions will not have a material adverse effect on its financial position.

The District participates in a number of federal and state programs that require compliance with specific terms and conditions and are subject to audits by the contracting agencies. Management believes that the effect of any disallowed expenditures would be immaterial to the financial statements.

9) CHANGES IN ACCOUNTING PRINCIPLE

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

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

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

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

10) UPCOMING ACCOUNTING PRONOUNCEMENTS

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

11) SUBSEQUENT EVENT

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. In addition, student counts to are subject to audit and government by the Michigan Department of Education. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Academy is currently in the appeals process with the Michigan Department of Education related to their fall 2023-2024 and 2024-2025 student counts. The amount, if any, of costs which may be disallowed cannot be determined at this time.

REQUIRED SUPPLEMENTARY

INFORMATION

FLEX HIGH SCHOOL OF MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

	Budgeted Amounts		Variance with Original and Final Budget	Actual	Variance With Final Budget
	Original	Final			
REVENUES					
Local Sources	$30,000	$5,000	($25,000)	$14,770	$9,770
State Sources	4,804,270	3,116,279	(1,687,991)	3,222,626	106,347
Federal Sources	286,960	293,496	6,536	234,516	(58,980)
Total Revenues	$5,121,230	$3,414,775	($1,706,455)	$3,471,912	$57,137
EXPENDITURES					
Instruction	1,555,156	1,593,683	38,527	1,485,063	108,620
Student Services	197,079	190,207	(6,872)	203,036	(12,829)
Instructional Support	90,000	136,213	46,213	89,753	46,460
General Administration	1,930,811	178,888	(1,751,923)	169,657	9,231
School Administration	507,188	548,658	41,470	554,557	(5,899)
Business Administration	39,384	57,035	17,651	53,754	3,281
Operation & Maintenance	334,530	430,568	96,038	405,503	25,065
Transportation	10,400	19,400	9,000	17,310	2,090
Support Services - Other	262,007	273,919	11,912	264,090	9,829
Total Expenditures	$4,926,555	$3,428,571	($1,497,984)	$3,242,723	$185,848
Excess of Revenues Over (Under) Expenditures	$194,675	($13,796)	($208,471)	$229,189	$242,985
OTHER FINANCING SOURCES (USES)					
Other Financing Sources	20,845	264,316	243,471	16,972	(247,344)
Other Financing Uses	(215,520)	(215,520)	0	(215,520)	0
Total Other Financing Sources (Uses)	($194,675)	$48,796	$243,471	($198,548)	($247,344)
Net Change in Fund Balance	$0	$35,000	$35,000	$30,641	($4,359)
FUND BALANCE - BEGINNING				154,485	
FUND BALANCE - ENDING				$185,126	

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

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 (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

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

b. Public hearings are conducted to obtain taxpayer comments.

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

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

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

NOTE 2 - BUDGETARY COMPARISON

Significant variances between original and final budget:

	Variance	Explanation
REVENUES		
State Sources	$(1,687,991)	A drop in FTE due to the state audit currently under appeal resulted in less state aid.
EXPENDITURES		
General Administration	(1,751,923)	A drop in FTE due to the state audit currently under appeal resulted in less revenue resulting in the elimination of budgeted management fees to the ESP.
Operation & Maintenance	96,038	Increase in insurance costs
OTHER FINANCING SOURCES	243,471	A drop in FTE due to the state audit currently under appeal resulted in less revenue resulting in a contribution from the ESP being budgeted to balance the budget..

NOTE 2 - BUDGETARY COMPARISON (Continued)

Significant variances between final budget and actual:

	Variance	Explanation
REVENUES		
State Sources	$ 106,347	Final FTE came in higher than budgeted resulting in more state aid revenue.
Federal Sources	(58,980)	All federal grants were not spent within the year.
EXPENDITURES		
Instruction	108,620	Increased teacher costs led higher than anticipated instruction expense.
OTHER FINANCING SOURCES	(247,344)	The budgeted ESP contribution was not needed at year-end.

Lewis & Knopf CPAs, PC

October 26, 2026

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 Education of
Flex High School of Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Flex High School of Michigan, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Flex High School of Michigan's basic financial statements, and have issued our report thereon dated October 26, 2026.

Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Flex High School of Michigan'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*.

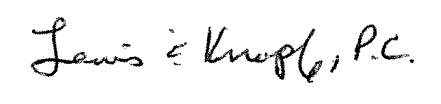
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Purpose of this Report

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.



LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Lewis & Knopf CPAs, PC

Lewis & Knopf CPAs, PC

October 26, 2026

To the Board of Education of
Flex High School of Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Flex High School of Michigan for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 17, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Flex High School of Michigan are described in Note 1 to the financial statements. The application of existing policies was not changed during the 2025-2026 year. During the fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements* and No. 104 *Disclosure of Certain Capital Assets*. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's determination of the estimated life span of the capital assets.

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of right-of-use assets and right-of-use liabilities. Management's estimates include the determination of the lease term, including any reasonably certain renewal periods, and the determination of the appropriate discount rate to calculate the present value of lease payments. These estimates significantly affect the measurement of lease liabilities and right-of-use assets on the statement of financial position. We evaluated the key factors and assumptions used to develop the lease estimates used by management in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 26, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Flex High School of Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Lewis & Knopf CPAs, PC