

**MUSKEGON MARITIME
ACADEMY**

**Financial Report
with Supplemental Information
June 30, 2025**

MUSKEGON MARITIME ACADEMY

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Wilkerson & Associate P.C.

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

Independent Auditor's Report

To Management and
The Board of Directors of
Muskegon Maritime Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and the Food service fund of Muskegon Maritime Academy (the 'Academy'), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the Capital projects fund of Muskegon Maritime Academy as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Deficit Fund Balance

The Academy has accumulated an unassigned deficit in the General fund of \$(468,495) as of June 30, 2025, which has resulted from an operating deficit. The Academy will be required by the Michigan Department of Education to prepare a Deficit Elimination Plan. Our opinions are not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy, and meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the

design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Government Auditing Standards Board, who considers it to be an

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2025, on our consideration of Muskegon Maritime Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Muskegon Maritime Academy's internal control over financial reporting and compliance.

Wilkinson & Associates PC

Dearborn, Michigan
November 11, 2025

Wilkerson & Associate P.C.

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

To Management
and The Board of Directors of
Muskegon Marine 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, the financial statements of the governmental activities, the major fund, and the aggregate remaining information of Muskegon Marine Academy as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Muskegon Marine Academy's basic financial statements, and have issued our report dated November 11, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered Muskegon Marine Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Muskegon Marine Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Muskegon Marine Academy's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. 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 Muskegon Marine Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and which are described in the accompanying schedule of findings and responses as item 2025-001*.

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 Muskegon Marine 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 entity's internal and compliance, Accordingly, this communication is not suitable for any other purpose.

Wilkerson & Associate PC

*Dearborn, Michigan
November 11, 2025*

**MUSGEGON MARITIME ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? X Yes No

* Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? X Yes No

2025- 001 Noncompliance - Deficit Fund Balance

Criteria: The Michigan state school act that prohibits fund balance deficits is Section 1220 of the **Revised School Code**.

Condition: The Academy has an unassigned deficit as of June 30, 2025.

Cause: The Academy lacked adequate budgetary controls to operate within the board approved budget.

Effect; The Academy will be required by the Michigan Department of Education to file an acceptable Deficit Elimination Plan.

Recommendation: The Academy should start immediately in preparing a Deficit Elimination Plan that is reviewed by the board and acceptable to MDE.

View of responsible officials; Management agrees with the finding and are working on the plan.

MUSKEGON MARITIME ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

This section of the Muskegon Maritime Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2025. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

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

Management's Discussion and Analysis (MD&A)

(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information) Budgetary Information for Major Funds

Other Supplemental Information

Reporting the Academy as a Whole - Government-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

MUSKEGON MARITIME ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

Reporting the Academy as a Whole - Government-wide Financial Statements (Continued)

The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, and community services. Unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds • 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 and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (Agency Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. 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, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliation.

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, 2025:.

	<u>NET POSITION SUMMARY</u>	
	2025	2024
ASSETS		
Current assets	\$ 486,409	\$ 417,685
Non-current assets	756,123	735,998
TOTAL ASSETS	<u>1,242,531</u>	<u>\$ 1,153,683</u>
LIABILITIES		
Current liabilities	\$ 1,125,690	\$ 585,822
Long-term liabilities	646,675	653,094
Total liabilities	<u>1,772,365</u>	<u>1,238,916</u>
NET POSITION		
Investment in capital assets, net of related debt	756,123	52,656
Unrestricted	<u>(1,285,956)</u>	<u>(137,889)</u>
Total net position	<u>(529,833)</u>	<u>(85,233)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,242,531</u>	<u>\$ 1,153,683</u>

MUSKEGON MARITIME ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

RESULTS OF OPERATIONS:

For the fiscal year ended June 30, 2025, the Academy wide results of operations were:

REVENUES	2025	2024
General revenues:		
Local sources	\$ 13,969	\$ 3,112
State sources - unrestricted	1,275,738	905,997
Total general revenues	1,289,707	909,109
Operating grants:		
Federal	302,125	42,928
State of Michigan	227,467	100,848
Total operating grants	529,592	529,776
Total revenues	1,819,300	1,438,885
EXPENSES		
Instruction	876,097	526,175
Support services	1,294,615	710,800
Community Services	1,250	-
Interest on long-term obligations	40,751	12,245
Depreciation (unallocated)	51,187	6,852
Total expenses	2,263,900	1,256,072
INCREASE IN NET POSITION	(444,601)	182,813
BEGINNING NET POSITION	(85,233)	(268,046)
ENDING NET POSITION	\$ (529,834)	\$ (85,233)

Analysis of Results of Operations

The Academy's overall expenditures exceeded revenues for the year in the amount of \$444,601. In the Academy's third year of operations, total revenues increased by \$380,598 while total expenses increased by \$1,007,828. Investments in infrastructure were necessary for the third year of operations and are expected to support increased enrollment in subsequent years of operations.

GOVERNMENT- WIDE FINANCIAL ANALYSIS

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the Academy's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Academy's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

MUSKEGON MARITIME ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

General Fund

The Academy's General Fund is the chief operating fund of the Academy. The fund balance for the General Fund decreased by \$470,222. In the Academy's second year of operations, general fund revenues increased by \$975,377. The major source of General Fund revenues is State Aid. An analysis follows:

1. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Academy's foundation allowance was \$9,608 per student for the 2024-2025 school year, no increase from the prior year

2. Student Enrollment:

The Academy's blended student enrollment for 2024-2025 was 127.42 students.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

Fiscal Year	Original Budget	Final Budget	Actual	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenues	\$ 1,380,758	\$ 1,800,854	\$ 1,839,371	(30.43)	(2.14)
Expenditures	1,296,398	1,559,105	2,309,593	(20.26)	(48.14)
Net change in Fund Balance	\$ 84,360	\$ 241,749	\$ (470,222)		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the Academy amends its budget during the school year. The June 2025 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues

Revenues increased due to additional federal grant funding and enrollment increase during the year.

Expenditures

Expenditures increased due to additional federal grant funding and enrollment increase.

MUSKEGON MARITIME ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

ANALYSIS OF BUDGETS: (Continued)

Actual Results vs. Final Budgets

Revenues

Changes between actual revenues and the final budget were insignificant.

Expenditures

Changes between actual expenditures and the final budget were significant.

Capital Assets

As of the year ended June 30, 2025 the Academy had invested \$814,162 in capital assets as summarized below. The Academy did not recognize depreciate in the current fiscal year for construction in progress related assets. More detailed information about capital assets can be found in Note 5 to the financial statements.

CAPITAL ASSETS

	<u>Balance</u> <u>June 30, 2025</u>	<u>Balance</u> <u>June 30, 2024</u>
Assets being depreciated		
Right to use Assets	71,312	
Building and improvements	647,315	647,315
Furniture and equipment	95,535	95,535
Total cost	814,162	742,850
Less accumulated depreciation	58,039	6,852
Net capital assets	<u>\$ 756,123</u>	<u>\$ 735,998</u>

Long-term Obligations

At year end, the Academy had total long-term obligations of \$721,707, related to building and improvements, right to use assets and first year operating working capital. More detailed information about long-term obligations can be found in Note 7 to the financial statements.

MUSKEGON MARITIME ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

State Aid

The foundation amount for the 2025-2026 school year per student was expected to increase to \$10,000 as of the budget adoption. The Academy's September 2025-2026 enrollment is expected to increase to 185 students.

The Academy's 2025-2026 adopted budget is as follows:

REVENUE	\$ 2,016,690
EXPENDITURES	<u>2,011,731</u>
NET CHANGE IN FUND BALANCE	<u>\$ 4,959</u>

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy's finances. If you have questions about this report or need additional information, contact the Chief Administrative Officer or the Board Treasurer.

Muskegon Maritime Academy
271 East Apple Avenue
Muskegon, MI 49442
Phone: (231) 724-7577

MUSKEGON MARITIME ACADEMY**STATEMENT OF NET POSITION**

JUNE 30, 2025

	Governmental Activities
Assets	
Cash	\$ 63,644
Accounts receivable	30,153
Deposits	9,885
Prepaid Expenses	11,000
Due from other governmental units	371,726
Capital assets, net of accumulated depreciation	756,123
Total Assets	1,242,531
Liabilities	
Accounts payable	976,728
Accrued expenses	85,003
Unavailable revenue	5,334
Long-term obligations - current portion	58,624
Long-term obligations - long-term portion	646,675
Total Liabilities	1,772,365
Net Position	
Invested in capital assets, net of related debt	756,123
Unrestricted	(1,285,956)
Total Net Position	\$ (529,833)

MUSKEGON MARITIME ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and changes in Net Assets
Governmental Activities				
Instruction	\$ 876,097	\$ -	\$ 451,139	\$ (424,958)
Support services	1,294,615	-	78,454	(1,216,161)
Community Services	1,250	-	-	(1,250)
Interest on long-term obligations	40,751	-	-	(40,751)
Depreciation (unallocated)	51,187	-	-	(51,187)
Total Governmental Activities	\$ 2,263,900	\$ -	\$ 529,593	(1,734,307)
		General Revenues		
		State aid - unrestricted		1,275,738
		Other revenue		13,969
		Total General Revenues		1,289,707
		Change in Net Position		(444,600)
		Net Position - July 1, 2024		(85,233)
		Net Position - June 30, 2025		\$ (529,833)

MUSKEGON MARITIME ACADEMY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025

	General Fund	Capital Project Fund	Total Governmental Funds
ASSETS			
Cash	\$ 63,644	\$ -	\$ 63,644
Accounts receivable	30,153	-	30,153
Deposits	9,885	-	9,885
Prepaid Expenses	11,000	-	11,000
Due from other governmental units	371,726	-	371,726
Due from other funds	112,162	-	112,162
Total Assets	\$ 598,570	\$ -	\$ 598,570
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 976,728	-	\$ 976,728
Accrued expenditures	85,003	-	85,003
Unavailable revenue	5,334	-	5,334
Due to other funds	-	112,162	112,162
Note Payable	-	-	-
Total Liabilities	1,067,065	112,162	1,179,227
Fund Balances			
Non spendable	11,000	-	11,000
Restricted	-	(112,162)	(112,162)
Unassigned	(479,495)	-	(479,495)
Total Fund Balances	(468,495)	(112,162)	(580,657)
Total Liabilities and Fund Balances	\$ 598,570	\$ -	\$ 598,570

MUSKEGON MARITIME ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total governmental fund balances		\$ (580,657)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	814,162	
Accumulated depreciation	<u>(58,039)</u>	756,123
Long-term obligations are not due and payable in the current period and are not reported in the funds:		
Long-term obligations		<u>(705,300)</u>
Net position of governmental activities		<u><u>\$ (529,833)</u></u>

MUSKEGON MARITIME ACADEMY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Capital Projects Fund	Food Service Fund	Total Governmental Funds
Revenue				
Federal sources	\$ 100,507	\$ -	39,963	\$ 140,470
State sources	1,600,963	-	11,278	\$ 1,612,242
Local sources	13,969	-	-	\$ 13,969
Other sources	52,619	-	-	\$ 52,619
Total Revenue	<u>1,768,059</u>	<u>-</u>	<u>51,241</u>	<u>1,819,300</u>
Expenditures				
Instruction:				
Basic instruction	566,413	-	-	566,413
Added needs	309,683	-	-	309,683
Supporting services:				-
Pupil support services	77,098	-	-	77,098
Instructional staff services	32,325	-	-	32,325
General administration services	203,028	-	-	203,028
School administration services	220,153	-	-	220,153
Business services	7,000	-	-	7,000
Operations and maintenance	367,131	10,911	435	378,477
Pupil transportation services	261,183	-	-	261,183
Central services	50,412	-	-	50,412
Food Services	-	-	136,253	136,253
Community Services	1,250	-	-	1,250
Capital outlay	-	-	-	-
Debt service:				
Principal and interest	128,469	-	-	128,469
Total Expenditures	<u>2,224,146</u>	<u>10,911</u>	<u>136,688</u>	<u>2,371,745</u>
Excess (Deficiency) of Revenue over Expenditures	(456,088)	(10,911)	(85,447)	(552,445)
Other Financing Sources				
Proceeds from issuance of long-term obligations	71,312			71,312
Incoming Transfers	-		85,447	85,447
Outgoing transfers and other transactions	(85,447)	-	-	(85,447)
Total Other Financing Sources(Uses)	<u>(14,135)</u>	<u>-</u>	<u>85,447</u>	<u>71,312</u>
Net Change in Fund Balances	(470,222)	(10,911)	-	(481,133)
Fund Balance - July 1, 2024	<u>1,727</u>	<u>(101,251)</u>	<u>-</u>	<u>(99,524)</u>
Fund Balance - June 30, 2025	<u>\$ (468,495)</u>	<u>\$ (112,162)</u>	<u>-</u>	<u>\$ (580,657)</u>

MUSKEGON MARITIME ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net change in fund balances total governmental funds	\$ (481,133)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Capital outlay	71,312	
Depreciation/amortization	<u>(51,187)</u>	20,125

Proceeds and repayment of principal on long-term obligations are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities).

Proceeds from issuance of long-term obligations	(71,312)	
Principal repayment on long-term obligations	<u>87,720</u>	<u>16,408</u>

Change in net position of governmental activities	\$ <u>(444,600)</u>
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MUSKEGON MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Muskegon Maritime Academy (the “Academy”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

A. Reporting Entity

Muskegon Maritime Academy is a public-school academy that provides instructional and support services to elementary school students from kindergarten to the fifth grades. The Academy was formed as a public-school academy 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 Academy entered into a five-year contract with Saginaw Valley State University Board of Control to charter a public-school academy on July 1, 2022, effective July 1, 2022 through June 30, 2027. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. Saginaw Valley State University Board of Control is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays the Saginaw Valley State University Board of Control three percent of State aid as an administrative fee. The total administrative fee paid through June 30, 2024 to the Saginaw Valley State University Board of Control was approximately \$36,727.54.

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

MUSKEGON MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Academy-Wide and Fund Financial Statements

The Academy-wide financial statements (i.e., the statement of Net Position and the statement of changes in Net Position) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function.

C. 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, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of the interfund activity has been substantially eliminated from the government-wide financial statements.

MUSKEGON MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund-Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

MUSKEGON MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Academy reports the following major governmental fund:

General Fund

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

Capital Projects Fund

The Capital Project Fund is used to account for the financial resources used for facility improvements and related long-term obligations for the Academy.

D. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, all deposits are reasonably insured.

MUSKEGON MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position (Continued)

The Academy is authorized by Michigan Compiled Laws, Section 129.91 to invest surplus monies in federally insured United States banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is also authorized to invest in bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

Capital Assets

Capital assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the Academy are depreciated using the straight-line method using the following useful lives:

Building and improvements	15 – 39 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

Unearned Revenue

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

MUSKEGON MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term obligations and other long-term obligations are reported as liabilities in the statement of Net Position. In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as issuance costs, during the current period.

Fund Balance

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.

MUSKEGON MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position (Continued)

Fund Balance (Continued)

- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Estimates

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

Budgetary Data

The Academy is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgetary Act). The following is a summary of the requirements of the Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

MUSKEGON MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Academy formally adopted General Fund budgets by function for the fiscal year ended June 30, 2025. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. No encumbrances were outstanding in the General Fund and Special Revenue Funds at June 30, 2025. During the current year, the budget was amended in a legally permissible manner.

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

Excess of Expenditures over Appropriations in Budgeted Funds - During the year, the Academy incurred expenditures in the General Fund, which in the aggregate were not in excess of the overall department amounts budgeted.

	Budget	Actual	Variance
Pupil support services	\$ 69,403	\$ 77,098	\$ 7,695
Instructional staff services	30,637	32,325	1,688
General administration services	54,979	203,028	148,049
School administration services	95,272	220,153	124,881
Business Services	6,200	7,000	800
Operations & Maintenance	260,402	373,983	113,581
Principal	-	68,610	68,610
Interest	-	38,284	38,284

NOTE 3 - CASH DEPOSITS – CREDIT RISK

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2025, none of the Academy's bank balance of \$100,491 was exposed to custodial credit risk because it was uninsured or uncollateralized.

MUSKEGON MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 4 - DUE FROM OTHER GOVERNMENTS

State source receivable	\$ 282,543
Federal source receivable	89,183
Total due from other governments	<u>\$ 371,726</u>

The management of the Academy evaluates its receivables for collectability annually. At June 30, 2025, management believes all receivables are collectable, and no allowance is necessary. All receivables were collected subsequent to year end.

NOTE 5 - CAPITAL ASSETS

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

	Balance July 01, 2024	Additions	Transfers	Disposals	Balance June 30, 2025
Capital assets not subject to depreciation					
Construction in process	\$ -	\$ -	\$ -	\$ -	\$ -
Assets being depreciated:					
Right to Use Assets	\$ -	\$ 71,312	\$ -	\$ -	\$ 71,312
Building and improvements	647,315	-	-	-	647,315
Furniture and equipment	95,535	-	-	-	95,535
Total capital assets being depreciated	742,850	71,312	-	-	814,162
Accumulated Depreciation:					
Right to Use Assets	-	20,057	-	-	20,057
Building and improvements	2,075	21,577	-	-	23,652
Furniture and equipment	4,777	9,554	-	-	14,331
Total Accumulated Depreciation	6,852	51,187	-	-	58,039
Net capital assets	<u>\$ 735,998</u>	<u>\$ 20,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 756,123</u>

MUSKEGON MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 6 - OPERATING LEASE

The Academy entered into an operating lease agreement with Shoreline Community Development Corporation effective July 1, 2024 to lease its facility located at 571 East Apple Avenue in Muskegon, Michigan. The lease begins July 1, 2024 and ends June 30, 2025. The lease will be offered to the Academy for \$110,333.32 in rent due. The Academy is responsible for insurance, repairs and maintenance for the building. No rent expense related to this lease was recognized for the period ended June 30, 2025. Effective June 30, 2025, the Academy was able to extend the lease under similar terms through June 30, 2026.

NOTE 7 - LONG-TERM OBLIGATIONS

Long-term obligations as of June 30, 2025 can be summarized as follows:

Loan Information

	Interest Rate	Maturity Date	Other
Loan 1	5.675%	May, 2029	Facility improvement financing. Total draw through completion of construction of \$688,220, then principal and interest payments beginning May 1, 2024 through the maturity date.
Loan 2	5.875%	August, 2024	Working capital loan agreement executed March 2023 with principal and interest payments due through maturity date.
Bus Lease	5%	10/15/2024	Bus Lease with Hoekstra Inc executed October 15, 2024 with principal and interest payments due through maturity date.

Loan Activity

	Balance July 1, 2024	Additions	Retirements and Payments	Balance June 30, 2025	Due Within One Year
Loan 1	\$ 683,343	\$ -	\$ 30,248	\$ 653,095	\$ 32,010
Loan 2	38,362	-	38,362	-	-
Bus Lease		71,312	19,107	\$ 52,205	26,614
Total Activity	\$ 721,705	\$ 71,312	\$ 87,717	\$ 705,300	\$ 58,624

MUSKEGON MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2026	\$ 58,624	\$ 40,007
2027	57,601	36,883
2028	33,875	34,374
2029	35,848	32,401
2010	519,352	27,870
Total	<u>\$ 705,300</u>	<u>\$ 171,535</u>

NOTE 8 - RISK MANAGEMENT

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

NOTE 9 - MANAGEMENT AGREEMENT

Effective July 1, 2024 the Academy entered into a management agreement with Teachers First, Inc to provide full service education management services. The contract fee is set at 11% percent of total State Revenue for the school year. This amounted to approximately \$148,322 for the year ended June 30, 2025.

NOTE 10 - CONTINGENCIES

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

MUSKEGON MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 11 - SINGLE AUDIT REQUIREMENT

Current Federal guidelines require entities with Federal Expenditures exceeding \$750,000 to have a "Single Audit" of a federally funded program. The Academy expended \$140,470 in federal funds. A Single Audit is not required.

NOTE 12 – GOING CONCERN & MANAGEMENT’S PLAN

Due to significant increases in operating costs, and low enrollment, combined with a lack of adequate budgetary controls, the General Fund has incurred an excess of expenditures over revenues. As a result, the General Fund has an unassigned fund deficit of \$470,222 at June 30, 2025. These conditions and events give rise to the assessment of substantial doubt about the Academy’s ability to continue for a reasonable period of time after June 30, 2025. Management’s plans to reduce the deficit existing at June 30, 2025 include the following:

Strategies:

1. Budget Review and Reallocation:

- Conduct a comprehensive audit of all current expenditures.
- Identify non-essential expenses and reduce or eliminate them.
- Reallocate resources to core educational programs and services that directly benefit.

2. Increase Revenue:

- Explore additional funding opportunities, including grants, partnerships with local businesses, and community fundraising initiatives,
- Assess and adjust fee structures for extracurricular activities and programs to enhance revenue without overburdening families.

3. Cost-Saving Initiatives:

- Implement energy-saving measures in school facilities to lower utility costs
- Encourage staff to identify and report inefficiencies within the district operations that can be streamlined.

Enrollment and Marketing:

- Develop marketing strategies to attract new students to the district, emphasizing the quality of education and available programs,

MUSKEGON MARITIME ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 12 – GOING CONCERN & MANAGEMENT’S PLAN (Continued)

Strategies (Continued):

- Strengthen community engagement and outreach programs to inform families about enrollment options.

5. Staffing Reviews:

- Analyze staffing levels and consider potential reductions, reassignments, or hiring freezes where feasible while ensuring educational quality is maintained,
- Consider opportunities for shared services with neighboring districts to reduce costs.

6. Regular Monitoring and Reporting:

- Establish a timeline for regular budget reviews and progress reports to the school board and the community.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 11, 2025, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

MUSKEGON MARITIME ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Federal sources	\$ 60,646	\$ 106,283	\$ 100,507	\$ (5,776)
State sources	1,315,112	1,515,385	1,600,963	85,578
Local sources	-	1,645	13,969	12,324
Other sources	5,000	177,541	52,619	(124,922)
Total Revenue	<u>1,380,758</u>	<u>1,800,854</u>	<u>1,768,059</u>	<u>(32,795)</u>
Expenditures				
Instruction:				
Basic instruction	347,782	457,354	566,413	109,059
Added needs	111,096	285,655	309,683	24,028
Supporting services:				
Pupil support services	48,000	69,403	77,098	7,695
Instructional staff services	3,172	30,637	32,325	1,688
General administration services	133,615	54,979	203,028	148,049
School amination services	154,573	95,272	220,153	124,881
Business Services	15,605	6,200	7,000	800
Operations and maintenance	287,390	260,402	367,131	106,729
Pupil Transportation Services	50,000	243,118	261,183	18,065
Central services	38,748	54,585	50,412	(4,173)
Community services	-	1,500	1,250	(250)
Debt service:				
Principal and interest	106,417	-	128,469	128,469
Total Expenditures	<u>1,296,398</u>	<u>1,559,105</u>	<u>2,224,146</u>	<u>665,041</u>
Excess (Deficiency) of Revenue over Expenditures	84,360	241,749	(456,088)	(697,837)
Other Financing Sources				
Proceeds from issuance of long-term obligations	-	-	71,312	71,312
Incoming Transfers and Other Transactions	-	-	-	-
Outgoing transfers and other transactions	(79,499)	(233,795)	(85,447)	148,348
Other Financing Sources (Uses)	<u>(79,499)</u>	<u>(233,795)</u>	<u>(14,135)</u>	<u>219,660</u>
Net Change in Fund Balance	4,861	7,954	(470,222)	(478,176)
Fund balance - July 1, 2024	<u>1,727</u>	<u>1,727</u>	<u>1,727</u>	<u>-</u>
Fund balance - June 30, 2025	<u>\$ 6,588</u>	<u>\$ 9,681</u>	<u>\$(468,495)</u>	<u>\$ (478,176)</u>

MUSKEGON MARITIME ACADEMY
REPORT TO THE BOARD OF DIRECTORS

JUNE 30, 2025

Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3 PARKLANE BLVD. SUITE 612
DEARBORN, MICHIGAN 48126
313-982-4340 FAX 313-982-4342

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

To the Board of Directors of
Muskegon Maritime Academy

We have recently completed our audit of the basic financial statements of Muskegon Maritime Academy (the "Academy") as of and for the year ended June 30, 2025. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

	<u>Page(s)</u>
Results of Audit	2-5
Recommendations	6

We are grateful for the opportunity to be of service to Muskegon Maritime Academy. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Wilkerson & Associate PC

November 11, 2025

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
Muskegon Maritime Academy
November 11, 2025

Results of the Audit

We have audited the financial statements of Muskegon Maritime Academy (the “Academy”) as of and for the year ended June 30, 2025, and have issued our report thereon dated November 11, 2025. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 25, 2025, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated November 11, 2025, regarding our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors
Muskegon Maritime Academy
November 11, 2025

We are also obligated to communicate certain matters related to our audit of those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during the preliminary audit phase.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements, a new accounting policy was adopted, GASB 87, and the application of existing policies were not changed during the year ended June 30, 2025.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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. There were no significant estimates included in this year's financial statements.

To the Board of Directors
Muskegon Maritime Academy
November 11, 2025

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

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 trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement 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 as of the date of the audit report.

Management Consultants 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 consultant involves application of an accounting principle to the Academy'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.

To the Board of Directors
Muskegon Maritime Academy
November 11, 2025

Other Audit Findings or Issues

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the 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*.

This information is intended solely for the use of the board of directors and management of Muskegon Maritime Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Wilkerson & Associate PC

Larry D. Wilkerson, CPA

Muskegon Maritime Academy
November 11, 2025

Recommendations

MUSKEGON MARITIME ACADEMY RECOMMENDATIONS

As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. See note 12, in the financial report, for discussion related to Going Concern issue related to the Academy .
