

SUMMIT ACADEMY OIC
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2026 AND 2025



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INDEPENDENT AUDITORS' REPORT

Board of Governors
Summit Academy, OIC
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Summit Academy OIC, which comprise the balance sheets as of June 30, 2026 and 2025, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Summit Academy OIC, as of June 30, 2026 and 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Summit Academy OIC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Entity's Ability to Continue as Going Concern

The accompanying financial statements have been prepared assuming that Summit Academy OIC will continue as a going concern. As discussed in Note 17 to the financial statements, the Organization has experienced recurring operating deficits and liquidity challenges that raise substantial doubt about its ability to continue as a going concern within one year after the date that the financial statements are available to be issued. Management's plans to address these matters are also described in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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 Summit Academy OIC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. 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 judgment made by a reasonable user based on the financial statements.

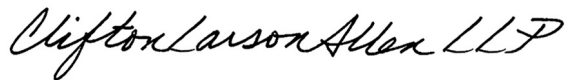
In performing an audit in accordance with GAAS, we:

- 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 Summit Academy OIC'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 Summit Academy OIC'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.

Supplementary Information

Our audits were conducted for the purpose of forming opinion on the financial statements as a whole. The financial responsibility ratio supplemental schedule as required by Department of Education is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the financial responsibility ratio supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 26, 2026

**SUMMIT ACADEMY OIC
BALANCE SHEETS
JUNE 30, 2026 AND 2025**

ASSETS	<u>2026</u>	<u>2025</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 392,325	\$ 3,591,843
Program Service Receivables	552,795	953,190
Pledges Receivable - Current Portion	325,799	632,613
Other Assets	205,193	298,041
Total Current Assets	<u>1,476,112</u>	<u>5,475,687</u>
PROPERTY AND EQUIPMENT		
Land	465,500	465,500
Building and Building Improvements	15,338,501	8,486,380
Automobiles	53,256	53,256
Furniture and Equipment	4,160,871	3,490,737
Construction in Progress	-	1,996,697
Total	<u>20,018,128</u>	<u>14,492,570</u>
Less: Accumulated Depreciation	<u>8,188,658</u>	<u>7,580,171</u>
Net Property and Equipment	<u>11,829,470</u>	<u>6,912,399</u>
OTHER ASSETS		
Right-of-Use Asset - Finance	16,943	21,363
Investments - Long-Term	2,589,223	6,836,978
Pledges Receivable - Long-Term	575,930	631,476
Total Other Assets	<u>3,182,096</u>	<u>7,489,817</u>
Total Assets	<u><u>\$ 16,487,678</u></u>	<u><u>\$ 19,877,903</u></u>

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC
BALANCE SHEETS (CONTINUED)
JUNE 30, 2026 AND 2025**

LIABILITIES AND NET ASSETS	<u>2026</u>	<u>2025</u>
CURRENT LIABILITIES		
Lease Liability - Current Finance	\$ 4,872	\$ 4,872
Notes Payable - Current Maturities	50,518	-
Accounts Payable	396,981	2,203,852
Deferred Financial Aid Revenue	99,801	1,593
Accrued Payroll and Related Expenses	414,134	827,806
Utility Contract Obligation - Short-Term	37,036	37,036
Total Current Liabilities	<u>1,003,342</u>	<u>3,075,159</u>
LONG-TERM LIABILITIES		
Lease Liability - Long-Term Finance	18,449	22,915
Notes Payable, Less Current Maturities	151,554	202,072
Utility Contract Obligation - Long-Term	257,939	295,006
Total Long-Term Liabilities	<u>427,942</u>	<u>519,993</u>
Total Liabilities	1,431,284	3,595,152
NET ASSETS		
Without Donor Restrictions	12,399,457	13,031,819
With Donor Restrictions	2,656,937	3,250,932
Total Net Assets	<u>15,056,394</u>	<u>16,282,751</u>
Total Liabilities and Net Assets	<u>\$ 16,487,678</u>	<u>\$ 19,877,903</u>

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2026 AND 2025**

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Support:						
Government Grants	\$ 1,868,128	\$ -	\$ 1,868,128	\$ 3,185,656	\$ -	\$ 3,185,656
Contributions of Nonfinancial Assets	19,897.00	-	19,897	-	-	-
Contributions from Individuals, Corporations, and Foundations	5,474,408	185,000	5,659,408	3,079,142	402,500	3,481,642
Total Support	7,362,433	185,000	7,547,433	6,264,798	402,500	6,667,298
Revenue:						
Federal Student Financial Aid	44,662	-	44,662	50,643	-	50,643
State Student Financial Aid	877,936	-	877,936	710,746	-	710,746
Net Tuition, net of scholarships of \$3,428,460 in 2026 and \$1,861,767 in 2025, Respectively	1,990,213	-	1,990,213	1,842,802	-	1,842,802
Rental Income	-	-	-	43,200	-	43,200
Special Events (Net of Direct Benefits of \$240,349 and \$218,468 for the Years Ended June 30, 2026 and 2025, Respectively)	655,621	-	655,621	690,999	-	690,999
Investment Income (Loss)	623,528	(189,243)	434,285	313,932	155,561	469,493
Other	65,302	-	65,302	151,151	-	151,151
Total Revenue	4,257,262	(189,243)	4,068,019	3,803,473	155,561	3,959,034
Total	11,619,695	(4,243)	11,615,452	10,068,271	558,061	10,626,332
Net Assets Released from Restrictions	589,752	(589,752)	-	2,035,185	(2,035,185)	-
Total Support and Revenue	12,209,447	(593,995)	11,615,452	12,103,456	(1,477,124)	10,626,332

See accompanying Notes to Financial Statements.

SUMMIT ACADEMY OIC
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2026 AND 2025

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES						
Program Services:						
Training	\$ 5,845,721	\$ -	\$ 5,845,721	\$ 6,190,450	\$ -	\$ 6,190,450
Service	4,160,050	-	4,160,050	3,746,688	-	3,746,688
Total Program Services	10,005,771	-	10,005,771	9,937,138	-	9,937,138
Supporting Services:						
Management and General	2,304,199	-	2,304,199	2,049,408	-	2,049,408
Rental Property	15,416	-	15,416	267,906	-	267,906
Fundraising	1,179,714	-	1,179,714	1,139,441	-	1,139,441
Total Supporting Services	3,499,329	-	3,499,329	3,456,755	-	3,456,755
Total Expenses	13,505,100	-	13,505,100	13,393,893	-	13,393,893
CHANGE IN OPERATING NET ASSETS	(1,295,653)	(593,995)	(1,889,648)	(1,290,437)	(1,477,124)	(2,767,561)
NONOPERATING ACTIVITY						
Insurance Proceeds	663,291	-	663,291	-	-	-
Loss on Writedown of Pledge Receivables	-	-	-	-	(200,000)	(200,000)
Total Nonoperating Activity	663,291	-	663,291	-	(200,000)	(200,000)
CHANGE IN NET ASSETS	(632,362)	(593,995)	(1,226,357)	(1,290,437)	(1,677,124)	(2,967,561)
Net Assets - Beginning of Year	13,031,819	3,250,932	16,282,751	14,322,256	4,928,056	19,250,312
NET ASSETS - END OF YEAR	<u>\$ 12,399,457</u>	<u>\$ 2,656,937</u>	<u>\$ 15,056,394</u>	<u>\$ 13,031,819</u>	<u>\$ 3,250,932</u>	<u>\$ 16,282,751</u>

See accompanying Notes to Financial Statements.

SUMMIT ACADEMY OIC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2026

	Program Services			Supporting Services			
	Training	Service	Total	Management and General	Rental Property	Fundraising	Total
Salaries	\$ 3,370,450	\$ 2,232,316	\$ 5,602,766	\$ 1,140,930	\$ 13,918	\$ 794,831	\$ 7,552,445
Fringe Benefits	820,346	533,439	1,353,785	206,522	1,198	148,659	1,710,164
Professional Fees	295,203	452,556	747,759	454,765	-	46,693	1,249,217
Depreciation	307,122	199,713	506,835	51,446	-	52,303	610,584
Occupancy and Utilities	339,746	189,557	529,303	27,313	300	51,541	608,457
Equipment Rental and Maintenance	5,327	5,141	10,468	2,803	-	1,868	15,139
Classroom Supplies	308,800	10,383	319,183	-	-	137	319,320
Postage and Office Supplies	27,464	25,201	52,665	82,352	-	5,385	140,402
Training, Meetings, and Staff Travel	33,501	15,601	49,102	24,232	-	1,135	74,469
Public Relations and Recruiting	27,132	150,925	178,057	60	-	12,936	191,053
Student Assistance	207,321	279,491	486,812	-	-	-	486,812
Dues and Subscriptions	95,751	36,313	132,064	45,652	-	31,000	208,716
Bank Charges and Interest	5,800	3,879	9,679	13,938	-	7,796	31,413
Credit Loss Expense	-	-	-	212,995	-	-	212,995
General Operating Expenses	1,758	25,535	27,293	41,191	-	25,430	93,914
Subtotal	5,845,721	4,160,050	10,005,771	2,304,199	15,416	1,179,714	13,505,100
Plus Special Events Expenses	-	852	852	498	-	238,999	240,349
Total Expenses	<u>\$ 5,845,721</u>	<u>\$ 4,160,902</u>	<u>\$ 10,006,623</u>	<u>\$ 2,304,697</u>	<u>\$ 15,416</u>	<u>\$ 1,418,713</u>	<u>\$ 13,745,449</u>

See accompanying Notes to Financial Statements.

SUMMIT ACADEMY OIC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025

	Program Services			Supporting Services			Total
	Training	Service	Total	Management and General	Rental Property	Fundraising	
Salaries	\$ 3,362,398	\$ 2,023,756	\$ 5,386,154	\$ 1,284,055	\$ 82,574	\$ 792,200	\$ 7,544,983
Fringe Benefits	795,050	456,872	1,251,922	177,047	14,956	114,481	1,558,406
Professional Fees	292,604	285,377	577,981	302,870	38,963	65,068	984,882
Depreciation	405,445	141,350	546,795	40,404	76,005	28,777	691,981
Occupancy and Utilities	399,696	114,387	514,083	36,519	51,922	22,919	625,443
Equipment Rental and Maintenance	4,975	2,588	7,563	(2,888)	1,744	898	7,317
Classroom Supplies	286,921	8,967	295,888	-	-	969	296,857
Postage and Office Supplies	36,499	29,072	65,571	39,782	573	7,553	113,479
Training, Meetings, and Staff Travel	20,208	31,669	51,877	20,603	11	3,388	75,879
Public Relations and Recruiting	13,435	282,043	295,478	-	-	19,072	314,550
Student Assistance	435,261	255,405	690,666	-	-	-	690,666
Dues and Subscriptions	102,728	85,771	188,499	47,788	585	38,553	275,425
Bank Charges and Interest	-	-	-	18,850	-	13,322	32,172
Credit Loss Expense	-	-	-	33,745	-	-	33,745
General Operating Expenses	35,230	29,431	64,661	50,633	573	32,241	148,108
Subtotal	6,190,450	3,746,688	9,937,138	2,049,408	267,906	1,139,441	13,393,893
Plus Special Events Expenses	-	-	-	-	-	217,427	217,427
Total Expenses	<u>\$ 6,190,450</u>	<u>\$ 3,746,688</u>	<u>\$ 9,937,138</u>	<u>\$ 2,049,408</u>	<u>\$ 267,906</u>	<u>\$ 1,356,868</u>	<u>\$ 13,611,320</u>

See accompanying Notes to Financial Statements.

SUMMIT ACADEMY OIC
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,226,357)	\$ (2,967,561)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Unrealized Gain on Investments	(94,037)	(239,135)
Realized Gain on Investments	(30,851)	-
Depreciation	610,584	691,981
Cash Received from Capital Campaign	(676,447)	(318,636)
Asset Retirement Obligation	-	(285,790)
Amortization of Right-of-Use Asset - Finance Lease	4,420	4,888
Lease Liability Adjustment	-	27,787
Credit Loss Expense	211,033	231,783
Loss of Pledge Write Off	1,962	1,962
Change in Current Assets and Liabilities:		
Program Service Fee Receivables	400,395	337,888
Pledges Receivable	572,432	1,277,455
Other Assets	92,848	(134,262)
ROU Liability	-	(90,717)
Accounts Payable	(1,806,871)	1,941,933
Deferred Financial Aid Revenue	98,208	(308,285)
Solar Panel Contract	(37,067)	(37,036)
Accrued Payroll and Related Expenses	(413,672)	(283,646)
Net Cash Used by Operating Activities	<u>(2,293,420)</u>	<u>(149,391)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(6,364,865)	(609,370)
Proceeds from Sale of Investments	10,737,508	677,750
Purchase of Property and Equipment	(5,527,655)	(2,081,889)
Net Cash Used by Investing Activities	<u>(1,155,012)</u>	<u>(2,013,509)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received from Capital Campaign	253,380	253,380
Cash Received from Venn Foundation Loan	-	202,072
Payments on Finance Leases	(4,466)	(4,888)
Net Cash Provided by Financing Activities	<u>248,914</u>	<u>450,564</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,199,518)	(1,712,336)
Cash and Cash Equivalents - Beginning of Year	<u>3,591,843</u>	<u>5,304,179</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 392,325</u></u>	<u><u>\$ 3,591,843</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash Disclosures:		
Cash Payments for Interest	<u>\$ 31,414</u>	<u>\$ 32,173</u>
Donated Stock	<u>\$ 139,626</u>	<u>\$ 199,601</u>

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Summit Academy OIC (the Organization), a nonprofit organization based in Minneapolis, Minnesota, trains and retrain the unemployed and underemployed, secures placement for trainees in jobs, and promotes other educational and developmental programs. The Organization has been accredited as a post-secondary vocational school by the Council on Occupational Education.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Financial Statement Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Those resources over which the board of directors has discretionary control. These resources are available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restriction – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Measurement of Operations

In its statements of activities, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its program and supporting activities. Nonoperating activity consists primarily of insurance proceeds that the Organization received in the year ended June 30, 2026 and also contributions and expenses relating to the capital campaign.

Cash

The Organization maintains its cash in checking, savings, certificate of deposits, and money market accounts which, at times, may exceed federally insured limits.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Service Receivables

Program service receivables are recorded for amounts that have been earned on government grants during the fiscal year, as well as amounts due for the annual golf event. The Organization provides an allowance for credit loss using the allowance method, which is based on management judgment considering historical information. Services are performed on an unsecured basis based on the related grant and no interest is charged. An allowance for credit loss is provided for receivables when a significant pattern of collectability has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance, which is typically done at year-end. At June 30, 2026 and 2025, no allowance for credit loss was considered necessary. As of June 30, 2026, 2025 and 2024, the program service fee receivables were \$552,795, \$953,190, and \$1,291,078 respectively.

Promises to Give

Unconditional promises to give anticipated to be collected within one year are recorded at net realizable value. Unconditional promises to give anticipated to be collected in future years are initially recorded at fair value using present value techniques, incorporating risk-adjusted discount rates consistent with assumptions market participants would use in pricing the asset. In subsequent periods, amortization of the applicable discount is recognized as contribution revenue in the statements of activities.

An allowance for uncollectible promises to give is established based on historical collection experience, an assessment of current economic conditions, and a review of subsequent collections. Promises to give are written off when collection is no longer deemed probable. As of June 30, 2026 and 2025, an allowance for uncollectible promises to give was \$31,001.

Investments

Investments are carried at fair value, based upon quoted market prices. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur due to market fluctuation and that such changes could materially affect the amounts reported in the statements of financial position. Changes in quoted market value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are determined using the average cost method and are recorded on a trade-date basis.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment includes fixed assets stated at cost at date of acquisition or fair market value at date of donation in the case of donated property. The Organization capitalizes all additions greater than \$1,000. Depreciation of property and equipment is computed on the straight-line basis. The estimated useful lives in determining depreciation are:

Building and Building Improvements	10 to 30 Years
Furniture and Equipment	3 to 30 Years
Automobiles	5 Years

Unemployment Trust

The Organization participates in a trust in which premium payments are deposited to administer self-insurance unemployment claims. The balance as of June 30, 2026 and 2025 was \$99,434 and \$17,911, respectively, and is recorded in Other Assets.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets—operating and lease liability, and finance leases are included in ROU assets—financing and lease liability in the balance sheets. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organizations obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheets.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use their incremental borrowing rate. The Organization has elected not to separate nonlease components from lease components and instead account for each separate lease component and the nonlease component as a single lease component.

Utility Contract Obligation

As discussed in Note 10, the Organization entered into three solar array agreements with Green2Solar Leasing. As part of this agreement, Green2Solar Leasing advanced \$545,000 to Summit Academy OIC to pay for solar equipment purchased. The \$545,000 will be amortized over the life of the three solar agreements (see Note 10 for agreement terms). As of June 30, 2026, the utility contract obligation is the remaining amount not amortized on this agreement.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financial Aid Revenue

The Organization charges tuition to its students for a 20-week training program. The financial aid awarded a student for the tuition charge is recorded as deferred revenue on day one of classes and then recognized on a monthly basis as the class session progresses through the 20 weeks. As of June 30, 2026, 2025 and 2024, the deferred financial aid revenue was \$99,801, \$1,593 and \$309,878, respectively.

Governmental Grants and Financial Aid Revenue

Governmental grants and financial aid revenue are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant, are made or the required services are provided. Funds received but not yet earned are shown as deferred revenue. Expenditures under governmental grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these grants, the Organization will record such disallowance at the time the final assessment is made.

A portion of the Organization's revenue is derived from cost reimbursable federal and state grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. The Organization has been awarded cost-reimbursable grants totaling \$91,351 and \$482,878 as of June 30, 2026 and 2025, respectively, that have not been recognized as revenue because the related qualifying expenditures had not yet been incurred.

Contributions

Contributions, unconditional promises to give, and contributions of donated stock are recognized at fair values and are recorded as made. All contributions are available for general use unless specifically restricted by the donor.

Consequently, a June 30, 2026 and 2025, there were no contributions that have not been recognized in the accompanying statement of activities because the condition(s) on which they depend has not yet been met.

Donor-restricted contributions are reported as increases in donor-restricted net assets. When these restrictions expire, donor-restricted net assets are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Tax Status

Summit Academy OIC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota Statutes. Summit Academy OIC is not considered a private foundation and contributions to the Organization are considered tax deductible.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status (Continued)

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization's tax returns are subject to review and examination by federal and state authorities.

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance and other, which are allocated on the basis of estimates of time and effort.

Fair Value Hierarchy

In accordance with accounting standards, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for the identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Academy has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The fair value of investments measured on a recurring basis were as follows as of June 30:

	2026			
	Level 1	Level 2	Level 3	Total
Exchange Traded Funds - International Equities	\$ 263,921	\$ -	\$ -	\$ 263,921
Exchange Traded Funds - U.S. Bonds	-	511,643	-	511,643
Exchange Traded Funds - U.S. Equities	1,753,053	-	-	1,753,053
U.S. Treasury Bill	-	-	-	-
Cash	-	-	-	60,606
Total Investments	<u>\$ 2,016,974</u>	<u>\$ 511,643</u>	<u>\$ -</u>	<u>\$ 2,589,223</u>

	2025			
	Level 1	Level 2	Level 3	Total
Exchange Traded Funds - International Equities	\$ 459,575	\$ -	\$ -	\$ 459,575
Exchange Traded Funds - U.S. Bonds	-	2,032,639	-	2,032,639
Exchange Traded Funds - U.S. Equities	1,295,671	-	-	1,295,671
U.S. Treasury Bill	-	362,513	-	362,513
U.S. Treasury Note and Bond	-	-	-	-
Cash	-	-	-	2,686,580
Total Investments	<u>\$ 1,755,246</u>	<u>\$ 2,395,152</u>	<u>\$ -</u>	<u>\$ 6,836,978</u>

Revenue Recognition

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to our customers (students), in an amount that reflects the consideration we expect to be entitled in exchange for those goods or services. The Academy disaggregates revenue based on revenue streams and believes that the following information provides a reasonable representation of how performance obligations related to the nature, amount, timing and uncertainty of revenue and cash flows.

Tuition, Net of Scholarships

The Organization does not charge tuition directly to students. Tuition revenue primarily consists of federal Pell Grant funding awarded to eligible students and applied to the cost of educational services provided by the Organization. The Organization has five 20-week cohorts. Tuition revenue is recognized in the fiscal year in which the academic programs are delivered, portably over the term of the related semester. Any payments received prior to fiscal year-end related to academic terms that occur subsequent to fiscal year-end are recorded as deferred revenue in the accompanying statements of financial position.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Federal and State Financial Aid

Federal and state financial aid revenue consists of funds provided to assist students with the cost of attendance at the Academy. Revenue is recognized over the period in which the related educational services are provided, generally as classes are conducted. Amounts received in advance of the related instructional period are recorded as deferred revenue until earned.

Rental Income

Rental income consists of amounts earned from leasing Academy facilities to third parties. Revenue is recognized over the term of the rental agreement as the related space is made available for use.

Special Event

Special event revenue consists primarily of contributions received in connection with the Academy's annual golf event. Revenue is recognized at a point in time when the contribution is received or the related special event occurs, whichever is later, and the Organization has fulfilled any associated performance obligations.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 26, 2026, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY

The following table reflects the Organization's financial assets as of June 30 that are available to meet general expenditures within one year of the statement of financial position date.

	2026	2025
Cash and Cash Equivalents	\$ 392,325	\$ 3,591,843
Program Service Fee Receivables	552,795	953,190
Pledges Receivable - Current Portion	325,799	632,613
Pledges Receivable - Long-Term Portion	575,930	631,476
Investments	2,589,223	6,836,978
Less: Restricted Net Assets (Included Above)	(2,153,162)	(2,289,157)
Add: Time Restricted Net Assets Available with One Year	10,000	10,000
Total Financial Assets	<u>\$ 2,292,910</u>	<u>\$ 10,366,943</u>

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE 2 LIQUIDITY (CONTINUED)

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition, effective January 26, 2026, the Organization maintains a \$2,000,000 line of credit that may be drawn upon to support operations and meet liquidity needs as necessary.

NOTE 3 CONCENTRATIONS

The Organization maintains a portion of its cash balance in accounts which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits. One account held by the Organization was over the FDIC limit at June 30, 2026, in the amount of \$391,932. There were three accounts held by the Organization that were over the FDIC limit at June 30, 2025 in the amount of \$3,341,453.

The Organization receives much of its funding through grants to fund programs. A significant amount of the Organization's program service revenue and program service fee receivables is from a limited number of governmental agencies for 2026 and 2025.

During the year 2026, two entities represented 71% of the contributions received during the year. During the year 2025, one entity represented 61% of the contributions received during the year. Additionally, of the contributions received during June 30, 2026 and 2025, approximately \$215,000 and \$482,000, respectively were from board members.

At June 30, 2026, three entities made up 46% of support receivables. At June 30, 2025, four entities made up 60% of support receivables. Additionally, of the support receivables at June 30, 2026 and 2025, approximately \$157,960 and \$131,779, respectively, were from board members.

At June 30, 2026, no entities made up over 10% of program receivables. At June 30, 2025, no entities made over 10% of program receivables.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE 4 PROMISES TO GIVE

The Organization reports promises to give expected to be collected within one year at net realizable value. Promises to give expected to be collected in future years are initially reported at fair value using the discounted present value of future contributions. The Organization provides an allowance for doubtful collections based on a review of outstanding promises to give, historical collection experience, and existing economic conditions. Promises to give are considered past due if they are not received by their payment due date. Delinquent promises to give are written off based on individual credit evaluations and specific donor circumstances.

Total Promises to Give at June 30, 2026 and 2025 consist of the following:

	2026	2025
Annual Pledges Receivable	\$ 28,806	\$ 142,119
Capital Campaign Pledges Receivable	903,924	1,152,971
Allowance for Uncollectible Pledges	(31,001)	(31,001)
Total	<u>\$ 901,729</u>	<u>\$ 1,264,089</u>
Amounts Due in:		
Less than One Year	\$ 356,800	\$ 661,483
One to Five Years	575,930	633,607
Total	<u>\$ 932,730</u>	<u>\$ 1,295,090</u>

The risk-adjusted discount rates used in discounting promises to give was 4.19% and 3.75% for years ended June 30, 2026 and 2025, respectively.

NOTE 5 INVESTMENTS

Investments consist of the following as of June 30:

	2026
Exchange Traded Funds - International Equities	\$ 263,921
Exchange Traded Funds - U.S. Bonds	511,643
Exchange Traded Funds - U.S. Equities	1,753,053
U.S. Treasury Bill	-
Cash	60,606
Total Investments	<u>\$ 2,589,223</u>
	2025
Exchange Traded Funds - International Equities	\$ 459,575
Exchange Traded Funds - U.S. Bonds	2,032,639
Exchange Traded Funds - U.S. Equities	1,295,671
U.S. Treasury Bill	362,513
U.S. Treasury Note and Bond	-
Cash	2,686,580
Total Investments	<u>\$ 6,836,978</u>

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE 6 NOTES PAYABLE

In 2025, the Organization obtained a noncollateralized subordinate loan of \$202,072 at an annual interest rate of 2.5%. The loan requires yearly payments of \$40,140 and is scheduled to mature in 2030.

During the fiscal year ended June 30, 2026, the Academy entered into a revolving line of credit agreement with a financial institution with a maximum borrowing capacity of \$2,000,000. No amounts were drawn on the line of credit during the year, and there were no outstanding borrowings as of June 30, 2026.

NOTE 7 NET ASSETS

Donor-Restricted Net Assets

Net assets with donor restrictions consist of the following as of June 30:

	2026	2025
Time Restricted Pledges	\$ 503,775	\$ 961,775
Purpose Restricted for Programs	816,340	763,092
Purpose Restricted, Earnings on Endowment	58,244	247,487
Total	<u>\$ 1,378,359</u>	<u>\$ 1,972,354</u>
Held in Perpetuity		
Building and Maintenance	\$ 639,289	\$ 639,289
Innovation/Strategic Opportunity Fund	639,289	639,289
Total	<u>\$ 1,278,578</u>	<u>\$ 1,278,578</u>
Total Restricted Net Assets	<u>\$ 2,656,937</u>	<u>\$ 3,250,932</u>

Restrictions Released

Net assets restrictions were released as a result of the following conditions being met:

	2026	2025
Program Expenditures	\$ 135,202	\$ 470,785
Time Restrictions Met	454,550	1,764,400
Total	<u>\$ 589,752</u>	<u>\$ 2,235,185</u>

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025**

NOTE 8 ENDOWMENT

Donor-Restricted Endowments

Summit Academy OIC has donor-restricted endowment funds established for building and maintenance and innovation/strategic opportunity. Net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The board of trustees of Summit Academy OIC has interpreted the state's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, Summit Academy OIC classifies as net assets with donor restrictions the original value of the gifts to the donor-restricted endowment, the value of subsequent gifts to the donor-restricted endowment, and accumulated earnings that are required to be classified as donor-restricted based on donor stipulations. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction held in perpetuity is classified as net assets with donor restriction that is purpose restricted until those amounts are appropriated for expenditure by Summit Academy OIC in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2026 and 2025, Summit Academy OIC had no endowment funds that were underwater.

Return Objectives and Risk Parameters, Investment, and Spending Policies

Summit Academy OIC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Summit Academy OIC must hold in perpetuity. Under this policy, as approved by the board of trustees, the endowment assets having exceeded a cash balance is \$500,000 have been invested in a manner intended to produce results that meet or exceed the price and yield results of a moderate allocation model. The board will review annually the management of funds and its decision to manage the fund internally or hire an external investment manager to manage the funds to meet Summit Academy OIC board's requirements.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025**

NOTE 8 ENDOWMENT (CONTINUED)

**Return Objectives and Risk Parameters, Investment, and Spending Policies
(Continued)**

Summit Academy OIC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Changes in donor-restricted endowment net assets for the years ended June 30 were as follows:

	2026		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance, June 30, 2025	\$ -	\$ 1,526,065	\$ 1,526,065
Investment Income	-	(189,243)	(189,243)
Appropriations	-	-	-
Endowment Fund Balance, June 30, 2026	<u>\$ -</u>	<u>\$ 1,336,822</u>	<u>\$ 1,336,822</u>

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance, June 30, 2024	\$ -	\$ 1,654,353	\$ 1,654,353
Investment Income	-	155,561	155,561
Appropriations	-	(283,849)	(283,849)
Endowment Fund Balance, June 30, 2025	<u>\$ -</u>	<u>\$ 1,526,065</u>	<u>\$ 1,526,065</u>

Investment return on donor-restricted endowment assets is classified in accordance with donor stipulations. Earnings on endowment funds held in perpetuity are generally classified as net assets with donor restrictions until appropriated for expenditure in accordance with the Organization's spending policy and the purpose restrictions established by the donor.

Since the establishment of the endowment, the Organization had appropriated only \$8,938 of cumulative endowment earnings through fiscal year 2024. During fiscal year 2025, the board of directors approved an appropriation for building and maintenance expenditures intended to align cumulative appropriations with the Organization's endowment spending policy. As a result, appropriations of \$187,000 related to fiscal years 2022 through 2024 and \$96,849 related to fiscal year 2025 were approved and recognized. The Organization did not appropriate or expend any endowment earnings during the fiscal year ended June 30, 2026.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE 9 LEASES

The Organization leases certain equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2026 and provide for renewal options up to three years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Also, the agreements generally require the Council to pay real estate taxes, insurance, and repairs. The Organization does not have any covenants with these agreements or required to maintain certain financial ratios.

The following table provides quantitative information concerning the Organization's leases as of June 30:

	2026	2025
Right-of-Use Assets:		
Financing Leases, Net	\$ 16,943	\$ 21,363
Total	<u>\$ 16,943</u>	<u>\$ 21,363</u>
Lease Liabilities:		
Current:		
Financing Leases	\$ 4,872	\$ 4,872
Noncurrent:		
Financing Leases	18,449	22,915
Total	<u>\$ 23,321</u>	<u>\$ 27,787</u>
Finance Lease Costs:		
Amortization of ROU Assets	\$ 4,420	\$ 4,888
Interest on Lease Liabilities	763	161
Operating Lease Costs	-	104,400
Total	<u>\$ 5,183</u>	<u>\$ 109,449</u>
Other Information:		
Operating Cash Flows from Finance Leases	\$ 763	\$ 161
Operating Cash Flows from Operating Leases	\$ -	\$ 174,000
Financing Cash Flows from Finance Leases	\$ 4,466	\$ 4,888
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liability	\$ -	\$ 22,100
Weighted Average Remaining Lease Term - Finance Leases	3.8 Years	4.8 Years
Weighted Average Remaining Lease Term - Operating Leases	0.0 Years	0.0 Years
Weighted Average Discount Rate - Finance Leases	3.90%	3.90%

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE 9 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2026 is as follows:

<u>Year Ending December 31,</u>	<u>Finance Leases</u>
2027	\$ 4,872
2028	4,872
2029	4,872
2030	10,060
Total Lease Payments	24,676
Less: Interest	(1,355)
Present Value of Lease Liabilities	<u>\$ 23,321</u>

NOTE 10 SOLAR ARRAY AGREEMENT

During the year 2020, Summit Academy OIC entered into three separate agreements to purchase power from Green2Solar Leasing. The power will be generated from the solar array atop of the Organization's building. The agreements require Summit Academy OIC to purchase the solar equipment from another Organization, Ideal Energies, for a total of \$545,000. As part of the agreements with Green2Solar Leasing, Summit Academy OIC was advanced \$545,000 from Green2Solar Leasing as a pre-payment on the agreement. Summit Academy OIC used these proceeds to purchase the solar equipment.

As a result of the agreements, Summit Academy OIC has a utility contract obligation of \$545,000 which is presented as a liability on the statement of financial position. The utility contract obligation will be amortized over the life of the agreement with Green2Solar Leasing. Approximately \$275,000 will be amortized over 13 years and \$270,000 will be amortized over 17 years. As of June 30, 2026 and 2025, the utility contract obligation was \$294,975 and \$332,042, respectively.

NOTE 11 RENTAL INCOME

The Organization has a lease agreement to lease part of their building to Summit Early Learning Center, Inc. Effective January 1, 2016, rent on this lease is based on a month-to-month basis with monthly payments of \$10,800. The lease terminated in October 2024 and was not renewed. The total lease amount for each of the fiscal years 2026 and 2025 was \$0- and \$43,200, respectively.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE 12 EMPLOYEE BENEFIT PLAN

The Organization has a 401(k) profit-sharing plan to which it makes an annually determined discretionary contribution up to a maximum of 4% of employee compensation. All employees who meet certain minimum employment and age requirements are eligible to participate. The Organization's discretionary contribution to the plan was \$209,472 and \$185,657 for 2026 and 2025, respectively.

NOTE 13 CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of nonfinancial assets for the years ended June 30:

	<u>2026</u>	<u>2025</u>	
Other - Supplies for Golf Event	<u>\$ 19,897</u>	<u>\$ -</u>	Estimated at the fair value as of the date of donation based on retail prices
Total Contributed			
Non-Financial Assets	<u><u>\$ 19,897</u></u>	<u><u>\$ -</u></u>	

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets. The supplies contributed are used for their golf event.

NOTE 14 RELATED PARTY TRANSACTIONS

The Organization had outstanding contribution receivables from trustee board members of \$215,000 and \$350,000 as of the years ended June 30, 2026 and 2025, respectively. During the years ending June 30, 2026 and 2025, the Organization had contributions from board members and management of \$157,960 and \$131,779, respectively. Additionally, during the year, the Organization had construction services provided by a Company for which two of the board members are employees. There was an accounts payable to the related party vendors for \$1,576 and \$1,738,054 as of June 30, 2026 and 2025, respectively. The costs incurred to the related party vendors was \$5,114,517 and \$1,960,000 for the years ended June 30, 2026 and 2025, respectively.

NOTE 15 CONTINGENCY AND COMMITMENTS

In the normal course of business, the Academy has claims made against them. As of June 30, 2026, the amount and likelihood of loss is not determined. The Academy believes these claims are without merit and intends to vigorously defend the matters.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE 16 COMPOSITE SCORE

The Organization participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the Organization is required to demonstrate financial responsibility by meeting a certain composite score based on a formula developed by the Department of Education. This score uses financial ratios based on the Organization's audited financial statements. The composite score calculated reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0.

The composite score for the year ended June 30, 2026 is as follows:

Primary Reserve Ratio:

Expendable Net Assets	\$ 1,954,724	
Total Expenses	\$ 13,505,100	<u>0.14</u>

Equity Ratio:

Modified Net Assets	\$ 15,056,394	
Modified Assets	\$ 16,487,678	<u>0.91</u>

Net Income Ratio:

Change in Net Assets Without Donor Restrictions	\$ (632,362)	
Total Revenues/Gains	\$ 12,832,975	<u>(0.05)</u>

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	0.1447	1.4474	40%	0.5790
Equity Ratio	0.9132	3.0000	40%	1.2000
Net Income Ratio	-0.0493	-0.2319	20%	<u>(0.0464)</u>
				1.7326

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE 16 COMPOSITE SCORE (CONTINUED)

Net Assets

Net assets with donor restrictions: restricted in perpetuity	\$ 1,278,578
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Other net assets with donor restrictions (not restricted in perpetuity):

a. Annuities with donor restrictions	\$ -
b. Term endowments	-
c. Life income funds (trusts)	-
d. Total annuities, term endowments, and life income funds with donor restrictions	\$ -

Property, Plant, and Equipment, net

Pre-implementation property, plant, and equipment, net

a. Ending balance of pre-implementation as of June 30, 2026	\$ 3,208,949
b. Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard	-
c. Less subsequent depreciation and disposals (net of accumulated depreciation)	(342,092)
d. Balance pre-implementation property, plant, and equipment, net	2,866,857

Debt financed post-implementation property, plant, and equipment, net

Long-lived assets acquired with debt subsequent to June 30, 2020:

a. Equipment	-
b. Land improvements	-
c. Building	-
d. Total property, plant, and equipment, net acquired with debt exceeding 12 months	-

Construction in progress - acquired subsequent to June 30, 2020

-

Post-implementation property, plant, and equipment, net, acquired without debt:

a. Long-lived assets acquired without use of debt subsequent to June 30, 2020	8,962,613
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Total Property, Plant, and Equipment, net - June 30, 2026

\$ 11,829,470

Debt to be excluded from expendable net assets

Pre-implementation debt:

a. Ending balance of pre-implementation as of June 30, 2021	\$ -
b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.	-
c. Less subsequent debt repayments	-
d. Balance Pre-implementation Debt	-

Allowable post-implementation debt used for capitalized long-lived assets:

a. Equipment - all capitalized	-
b. Land improvements	-
c. Buildings	-
d. Balance Post-implementation Debt	-

Construction in progress (CIP) financed with debt or line of credit

-

Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value

\$ -

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

NOTE 17 FUTURE OPERATIONS

While the accompanying financial statements show an operating deficit and liquidity challenges similar to many small institutions in today's environment, there are strong plans in place to address these concerns. Summit Academy's strategies include:

1. **Budget Deficit Reduction:** The board of directors has directed management of the Organization to ensure they have a balanced budget. Accordingly, the Organization has initiated a budget reduction process and plan, targeting program and operational efficiencies across all departments, beginning in the 2027 fiscal year. This plan will decrease expenditures and strategically reallocate resources to critical areas to enhance financial and programmatic performance.
2. **Line of Credit:** As referenced in Note 2 and Note 6, the Organization has a line of credit of \$2,000,000 for which they can draw on should they need additional cash to help fund current operations.
3. **New Building:** During fiscal year 2026, the Organization substantially completed the expansion of its training campus, which added classroom, laboratory, and program space to support workforce development activities. The expanded facility allows the Organization to increase enrollment capacity, introduce additional training programs, and enhance services provided to students and employers. Management expects the expanded campus to strengthen program revenue opportunities and support additional funding from governmental, philanthropic, and workforce development partners. Based on these actions and projected operating improvements, management believes the Organization has sufficient resources to meet its obligations and continue operations for the foreseeable future.
4. **Funding:** Through October 26, 2026, the Academy received \$200,000 of unplanned support revenue to help in their operations.

Management is committed to addressing these concerns and is exploring all available options to mitigate risks associated with its going concern status. The Organization is reassessing its operating and strategic plan for the future and believes these efforts will significantly mitigate any substantial doubt regarding its going concern.

SUMMIT ACADEMY OIC
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
JUNE 30, 2026

	Primary Reserve Ratio:		
		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 12,399,457
2	SFP	Net assets with donor restrictions	\$ 2,656,937
3	Note 7	Net assets restricted in perpetuity	\$ 1,278,578
4	N/A	Unsecured related-party receivable	\$ -
5	N/A	Donor restricted annuities, term endowments, life income funds	\$ -
6	Note 13	Property, plant, and equipment pre-implementation	\$ 2,866,857
7	Note 13	Property, plant, and equipment post-implementation with outstanding debt for original purchase	\$ -
8	N/A	Construction in progress purchased with long-term debt	\$ -
9	Note 13	Post-implementation property, plant, and equipment, net, acquired without debt	\$ 8,962,613
10	N/A	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	\$ -
11	N/A	Lease right-of-use asset, post-implementation	\$ 16,943
12	N/A	Intangible assets	\$ -
13	N/A	Post-employment and pension liabilities	\$ -
14	Note 13	Long-term debt - for long-term purposes pre-implementation	\$ -
15	Note 13	Long-term debt - for long-term purposes post-implementation	\$ -
16	N/A	Line of credit for construction in progress	\$ -
17	N/A	Pre-implementation right-of-use asset liability	\$ -
18	N/A	Post-implementation right-of-use asset liability	\$ 23,321
		Total Expenses and Losses:	
19	Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	\$ 13,505,100
20	N/A	Nonservice component of pension/postemployment (nonoperating) cost, (if loss)	\$ -
21	N/A	Sale of fixed assets (if loss)	\$ -
22	N/A	Change in value of interest-rate swap agreements (if loss)	\$ -
	Equity Ratio:		
		Modified Net Assets:	
23	SFP	Net assets without donor restrictions	\$ 12,399,457
24	SFP	Net assets with donor restrictions	\$ 2,656,937
25	N/A	Lease Right-of-use asset - Pre-implementation	\$ -
26	N/A	Lease Right-of-use liability - Pre-implementation	\$ -
27	N/A	Intangible assets	\$ -
28	N/A	Unsecured related-party receivables	\$ -
		Modified Assets:	
29	SFP	Total assets	\$ 16,487,678
30	N/A	Lease right-of-use asset pre-implementation	\$ -
31	N/A	Intangible assets	\$ -
32	N/A	Unsecured related-party receivables	\$ -
	Net Income Ratio:		
33	SOA	Change in Net Assets Without Donor Restrictions	\$ (632,362)
		Total Revenues and Gains Without Donor Restriction:	
34	SOA	Total operating revenue (including net assets released from restrictions)	\$ 12,209,447
35	SOA	Investments gain, net (aggregate operating and nonoperating interest, dividends, realized and unrealized gains)	\$ 623,528
36	SOA	Nonservice component of pension/postemployment (nonoperating) cost (if gain)	\$ -
37	SOA	Pension-related changes other than net periodic pension costs (if gain)	\$ -
38	SOA	Change in value of annuity agreement (typically in nonoperating)	\$ -
39	SOA	Change in value of interest-rate swap agreements (if gain)	\$ -
40	N/A	Sale of fixed assets (if gain)	\$ -
41	SOA	Other gains	\$ -



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