

REFUNDING AND NEW ISSUE—BOOK-ENTRY ONLY

MOODY'S: "Ba1"  
See "RATING" herein

In the opinion of the Attorney General of the State of Michigan and Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, subject to compliance with certain covenants, under existing law, (i) the interest on the Series 2024 Bonds is excludable from gross income for federal income tax purposes; (ii) the interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax and (iii) the Series 2024 Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See "TAX MATTERS" herein.



\$12,660,000\*  
MICHIGAN FINANCE AUTHORITY  
Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds  
(Huron Academy Project), Series 2024

Dated: Date of Issuance

Due: As shown on inside cover

The \$12,660,000\* Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024 (the "Series 2024 Bonds") will be issued by the Michigan Finance Authority (the "Authority") as registered bonds in book-entry only form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2024 Bonds. Purchases of beneficial interests in the Series 2024 Bonds will be made in book-entry only form, in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. In addition, purchasers will not receive physical certificates representing the ownership interest in the Series 2024 Bonds purchased by them. See "THE SERIES 2024 BONDS – Book-Entry-Only System."

The Series 2024 Bonds will be issued under and pursuant to a Trust Indenture dated as of November 1, 2024 (the "Indenture"), between U.S. Bank Trust Company, National Association, St. Paul, Minnesota (the "Trustee"), and the Authority. The Authority will use the proceeds of the Series 2024 Bonds to purchase the Academy's School Building and Site and Refunding Bond, Series 2024, dated the date of issuance of the Series 2024 Bonds (the "Municipal Obligation") pursuant to a Financing Agreement dated as of November 1, 2024 (the "Financing Agreement"), between the Academy and the Authority. The Academy will use the proceeds of the Municipal Obligation to: (i) refund the Academy's Public School Academy Revenue and Refunding Bonds, Series 2015, in the original principal amount of \$8,500,000 dated July 31, 2015 (the "Prior Obligation"); the proceeds of which were used to finance the costs of (1) the renovation of the Academy's school facility located in Sterling Heights, Michigan; and (2) the acquisition of vacant land and the construction and equipping of the Academy's school facility located in Clinton Township, Michigan (the "Utica Road Facilities") located at 36301 Utica Road, Clinton Township, Michigan (the "Property"); (ii) finance all or a portion of the costs of the construction, improvement, equipping and furnishing of an addition to the Utica Road Facilities (the "Project"); (iii) fund a debt service reserve fund; and (iv) pay certain expenses incidental to the issuance of the Series 2024 Bonds and the Municipal Obligation.

The Series 2024 Bonds are secured by a pledge made by the Academy in the Financing Agreement of 20% of the State School Aid (as defined herein) to be received by the Academy in each fiscal year from the State of Michigan, provided that a greater percentage of State School Aid may be intercepted in a given month in the event that funds available to the Academy to make a payment due under the Financing Agreement are insufficient. Pursuant to the State Aid Agreement dated as of November 1, 2024 (the "State Aid Agreement"), by and among the Academy; the State Treasurer of the State of Michigan; the Trustee; the Ferris State University Board of Trustees (the "Authorizing Body"), fiscal agent for the Academy; and the Authority; the Academy has directed that 20% of the State School Aid funds to be received by the Academy in each fiscal year from the State of Michigan be paid directly to the Trustee, except, as described hereinabove, that up to 97% of any particular payment of State School Aid may be payable to the Trustee under certain circumstances. The Academy will also grant a mortgage on the Utica Road Facilities to the Trustee pursuant to a Mortgage dated as of November 1, 2024. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS," and "APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT."

Interest on the Series 2024 Bonds will accrue from the date of delivery and will be payable semi-annually on each April 1 and October 1, commencing April 1, 2025\*. Principal of and interest on the Series 2024 Bonds will be paid by the corporate trust office of the Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2024 Bonds, such payments will be made directly to DTC or such nominee. Disbursements of such payments to the Direct Participants are the responsibility of DTC, and disbursements of such payments to the beneficial owners are the responsibility of the Direct Participants and the Indirect Participants, as more fully described herein. The Series 2024 Bonds are subject to mandatory and optional redemption prior to maturity and are redeemable at the option, and upon the direction, of the Bondholders upon occurrence of certain events, as described herein. See "THE SERIES 2024 BONDS – Redemption of Series 2024 Bonds Prior to Maturity" herein.

THE SERIES 2024 BONDS ARE PAYABLE SOLELY FROM THE ACADEMY'S BOND PAYMENTS AND ADDITIONAL PAYMENTS DUE UNDER THE FINANCING AGREEMENT AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN 20% OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY FOR EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE BOND PAYMENTS AND ADDITIONAL PAYMENTS UNDER THE FINANCING AGREEMENT AND ANY OTHER LONG-TERM DEBT OF THE ACADEMY. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE, AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONEYS FOR SUCH PURPOSE. THE SERIES 2024 BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE OF MICHIGAN (THE "STATE"), THE AUTHORIZING BODY, ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES GOVERNMENT, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, THE AUTHORIZING BODY, ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE SERIES 2024 BONDS. THE AUTHORITY HAS NO TAXING POWER. SEE "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS" AND "RISK FACTORS" HEREIN.

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. PURCHASE OF THE SERIES 2024 BONDS INVOLVES A HIGH DEGREE OF RISK, AND THE SERIES 2024 BONDS ARE A SPECULATIVE INVESTMENT. INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO AN INFORMED INVESTMENT DECISION, AND SHOULD GIVE PARTICULAR ATTENTION TO "RISK FACTORS" HEREIN.**

The Series 2024 Bonds are offered when, as and if issued by the Authority and received and accepted by the Underwriter and subject to the approval of legality by Miller, Canfield, Paddock & Stone, P.L.C., Detroit, Michigan, Bond Counsel, and the Attorney General of the State of Michigan, and certain other conditions. Certain legal matters will be passed upon by Shifman & Carlson, P.C., Farmington Hills, Michigan, as counsel to the Academy, and by Ice Miller LLP, Columbus, Ohio, as Underwriter's Counsel. It is expected that the Series 2024 Bonds in book-entry form will be available for delivery against payment therefor on or about November 25, 2024\*. The Underwriter intends to engage in secondary market trading in the Series 2024 Bonds, subject to applicable securities laws. However, the Underwriter is not obligated to repurchase any of the Series 2024 Bonds at the request of any holder thereof. For information with respect to the Underwriter, see "UNDERWRITING" herein.

RAYMOND JAMES®

The date of this Official Statement is October \_\_, 2024.

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The securities described herein may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.



**Photograph of the Utica Road Facilities**

**MATURITY SCHEDULE**

**\$12,660,000\***

**Michigan Finance Authority  
Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds  
(Huron Academy Project), Series 2024**

\$ \_\_\_\_\_ % Series 2024 Term Bond due October 1, 20\_\_  
Price of \_\_\_ % to Yield \_\_\_ % CUSIP®: \_\_\_\_\_

\$ \_\_\_\_\_ % Series 2024 Term Bond due October 1, 20\_\_  
Price of \_\_\_ % to Yield \_\_\_ % CUSIP®: \_\_\_\_\_

\$ \_\_\_\_\_ % Series 2024 Term Bond due October 1, 20\_\_  
Price of \_\_\_ % to Yield \_\_\_ % CUSIP®: \_\_\_\_\_

\$ \_\_\_\_\_ % Series 2024 Term Bond due October 1, 20\_\_  
Price of \_\_\_ % to Yield \_\_\_ % CUSIP®: \_\_\_\_\_

\$ \_\_\_\_\_ % Series 2024 Term Bond due October 1, 20\_\_  
Price of \_\_\_ % to Yield \_\_\_ % CUSIP®: \_\_\_\_\_

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\* Preliminary, subject to change.

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NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE AUTHORITY, THE ACADEMY, OR THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THE INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM THE AUTHORITY (WITH RESPECT TO INFORMATION UNDER THE CAPTIONS “THE AUTHORITY” AND “NO LITIGATION – THE AUTHORITY” ONLY), THE ACADEMY, DTC AND OTHER SOURCES WHICH ARE BELIEVED TO BE ACCURATE AND RELIABLE, BUT NO REPRESENTATION, WARRANTY, OR GUARANTEE IS MADE AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION IN THIS OFFICIAL STATEMENT. NOTHING CONTAINED IN THIS OFFICIAL STATEMENT CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SERIES 2024 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO COMPLETION AND AMENDMENT. NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY STATEMENT NOR ANY SALE MADE HEREUNDER WILL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ACADEMY SINCE THE DATE HEREOF.

SERIES 2024 BONDS AND THE BENEFICIAL OWNERSHIP INTERESTS THEREIN MAY ONLY BE PURCHASED BY OR TRANSFERRED IN ACCORDANCE WITH APPLICABLE SECURITIES LAWS, INCLUDING STATE SECURITIES LAWS. SEE “APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT” HEREIN. THE SERIES 2024 BONDS ARE BEING ISSUED WITHOUT REGISTRATION IN RELIANCE ON SECTION 3(A)(2) OF THE SECURITIES ACT OF 1933. THE ACADEMY WILL BE REQUIRED UNDER THE CONTINUING DISCLOSURE AGREEMENT TO FURNISH UPON REQUEST, AND AT THE EXPENSE OF THE REQUESTING INVESTOR, CERTAIN FINANCIAL AND OPERATING INFORMATION.

**This Official Statement contains forward-looking statements, which can be identified by the use of future tense or other forward-looking terms such as “may,” “intend,” “will,” “expect,” “anticipate,” “plan,” “management believes,” “estimate,” “continue,” “should,” “strategy,” or “position” or the negatives of those terms or other variations of them or by comparable terminology. In particular, any statements, express or implied, concerning future receipts of funds or the ability to generate cash flow to service indebtedness are forward-looking statements. Investors are cautioned that reliance on any of these forward-looking statements involves risks and uncertainties and that, although the Academy’s management believes that the assumptions on which those forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate. As a result, the forward-looking statements based on those assumptions also could be incorrect, and actual results may differ materially from any results indicated or suggested by those assumptions. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Official Statement should not be regarded as a representation by the Academy that its plans and objectives will be achieved. All forward-looking statements are expressly qualified by the cautionary statements contained in this paragraph. The Academy does not undertake any duty to update any forward-looking statements. See “RISK FACTORS” herein.**

THE DESCRIPTIONS OF THE DOCUMENTS IN THE OFFICIAL STATEMENT ARE SUMMARIES THEREOF AND REFERENCE IS MADE TO THE ACTUAL DOCUMENTS FOR A COMPLETE UNDERSTANDING OF THE CONTENTS OF SUCH DOCUMENTS.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, THE UNDERWRITER’S RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2024 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2024 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2024 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2024 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2024 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE AUTHORIZING BODY HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND DOES NOT ASSUME ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY OF THE STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT.

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**TABLE OF CONTENTS**

INTRODUCTION .....	1	Authorizing Body Certificate Condition to Issuance of the Series 2024 Bonds .....	28
THE ACADEMY .....	2	Recent Actions by Charter Authorizers .....	29
Charter .....	2	Economic and Other Factors .....	29
Students .....	3	Infectious Disease Outbreak .....	29
School Governance and Management .....	3	Federal COVID-19 Relief Funds .....	30
THE ACADEMY FACILITIES AND THE PROJECT .....	3	Operating History; Reliance on and Nature of Projections .....	31
The Sterling Heights Facilities and the Utica Road Facilities .....	3	The Academy's Operation as a Public School Academy .....	31
The Project .....	4	Assumptions Regarding Enrollment and State School Aid .....	32
Construction Budget and Schedule .....	5	Existing and Prospective Operations Generally .....	33
THE AUTHORIZING BODY .....	5	Construction Risks .....	33
THE AUTHORITY .....	5	Factors Associated with Education and the Academy's Operations .....	34
Membership .....	6	Competition for Students .....	34
SERIES 2024 BONDS NOT A DEBT OF STATE .....	7	Public School Academies Generally .....	35
THE PLAN OF FINANCE .....	7	Academic Performance and Accountability Systems .....	35
SOURCES AND USES OF FUNDS .....	7	No Taxing Authority .....	35
DEBT SERVICE REQUIREMENTS .....	8	Current Economic Conditions .....	36
THE SERIES 2024 BONDS .....	9	Limitation of Assigned Revenues .....	36
General .....	9	Results of the Termination of the Financing Agreement .....	36
Redemption of Series 2024 Bonds Prior to Maturity .....	9	Performance of Academy Management .....	36
Book-Entry-Only System .....	12	Inability to Perfect Security Interest in Academy Personal Property under Article 9 of Michigan Uniform Commercial Code .....	37
SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS .....	12	Remedies May be Unenforceable .....	37
General .....	13	Collateral Insufficiency .....	38
The Indenture .....	13	Inability to Liquidate or Delay in Liquidating the Utica Road Facilities .....	38
The Financing Agreement .....	14	Future Financings .....	38
State School Aid Pledge .....	14	Damage or Destruction of the Utica Road Facilities .....	39
Direct Transfer of State School Aid for Payment of the Financing Agreement .....	14	Future Need for the Utica Road Facilities .....	39
State School Aid Source .....	15	Determination of Taxability .....	39
The Project Fund .....	16	Prepayment Risk .....	39
The Bond Fund .....	16	No Appraisal .....	39
The Reserve Fund .....	17	Value of Academy Facilities May Fluctuate .....	39
Repair and Replacement Fund .....	18	No Credit Enhancement .....	40
The Mortgage and the Environmental Report .....	18	Rating on the Series 2024 Bonds .....	40
Limited Obligation .....	18	Private School Vouchers .....	40
OPERATING COVENANTS .....	19	Unionization of Academy Workforce .....	40
Operating Reserve Balance Covenant .....	19	Teacher Shortage .....	40
Days Cash on Hand and Debt Service Coverage Ratio Covenants .....	19	Key Management .....	40
Academic Performance .....	20	Less Than Unanimous Consent Required to Amend Certain Provisions of the Indenture and the Financing Agreement .....	41
Consolidation, Merger, Sale or Conveyance .....	21	Environmental Regulation .....	41
Capital Needs Assessment .....	21	Cybersecurity .....	42
LIMITATION ON ADDITIONAL BONDS AND ADDITIONAL INDEBTEDNESS .....	21	TAX MATTERS .....	42
PUBLIC SCHOOL ACADEMIES IN MICHIGAN .....	22	General .....	42
General .....	22	Tax Treatment of Accruals on Original Issue Discount Bonds .....	43
State Aid Payments .....	23	Amortizable Bond Premium .....	43
Potential Elimination of Grades or Revocation of Charter for Lowest Achieving Public Schools .....	23	Market Discount .....	44
ACADEMY INFORMATION REPORTING REQUIREMENTS .....	24	Information Reporting and Backup Withholding .....	44
RISK FACTORS .....	24	Future Developments .....	44
Speculative Investment .....	25	RATING .....	45
Sufficiency of Revenues .....	25	APPROVAL OF LEGAL PROCEEDINGS .....	45
Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation .....	25	UNDERWRITING .....	45
Legislative and Non-appropriation Risk .....	26	RELATIONSHIPS AMONG THE PARTIES .....	46
Delay in, Reduction or Termination of State School Aid Payments .....	26	NO LITIGATION .....	46
Recent and Future Changes to Charter School Laws .....	26	The Academy .....	46
Termination, Revocation or Non-Renewal of Charter .....	27	The Authority .....	46
Potential Elimination of Grades or Revocation of Charter for Lowest Achieving Public Schools .....	28	CONTINUING DISCLOSURE .....	46
		FINANCIAL STATEMENTS .....	48
		MISCELLANEOUS .....	48
APPENDIX A HURON ACADEMY .....	A-1		
APPENDIX B FINANCIAL PROJECTION .....	B-1		
APPENDIX C FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (DRAFT) AND AUDITED FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022 .....	C-1		
APPENDIX D SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO PUBLIC SCHOOL ACADEMIES .....	D-1		
APPENDIX E FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT .....	E-1		
APPENDIX F FORM OF OPINION OF BOND COUNSEL .....	F-1		
APPENDIX G FORM OF OPINION OF THE ATTORNEY GENERAL .....	G-1		
APPENDIX H FORM OF CONTINUING DISCLOSURE AGREEMENT .....	H-1		
APPENDIX I BOOK-ENTRY-ONLY SYSTEM .....	I-1		

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## SHORT STATEMENT

THE INFORMATION SET FORTH IN THIS SHORT STATEMENT IS A BRIEF OVERVIEW ONLY OF CERTAIN MATTERS CONTAINED IN THIS OFFICIAL STATEMENT. THIS SHORT STATEMENT IS SUBJECT IN ALL RESPECTS TO MORE COMPLETE INFORMATION SET FORTH ELSEWHERE IN THIS OFFICIAL STATEMENT, WHICH SHOULD BE READ IN ITS ENTIRETY INCLUDING WITHOUT LIMITATION THE APPENDICES HERETO.

**THE BONDS.** The Series 2024 Bonds will be issued in the aggregate principal amount of \$12,660,000\*, under and pursuant to a Trust Indenture (the “Indenture”) dated as of November 1, 2024, between U.S. Bank Trust Company, National Association, St. Paul, Minnesota (the “Trustee”), and the Michigan Finance Authority (the “Authority”). The Authority will use the proceeds of the Series 2024 Bonds to purchase the Academy’s School Building and Site and Refunding Bond, Series 2024, dated as of the date of issuance of the Series 2024 Bonds (the “Municipal Obligation”), pursuant to a Financing Agreement dated as of November 1, 2024 (the “Financing Agreement”), by and between the Academy and the Authority. The Academy will use the proceeds of the Municipal Obligation to: (i) refund the Academy’s Public School Academy Revenue and Refunding Bonds, Series 2015, in the original principal amount of \$8,500,000 dated July 31, 2015 (the “Prior Obligation”); the proceeds of which were used to finance the costs of (1) the renovation of the Academy’s school facility located in Sterling Heights, Michigan; and (2) the acquisition of vacant land and the construction and equipping of the Academy’s school facility located in Clinton Township, Michigan (the “Utica Road Facilities”) located at 36301 Utica Road, Clinton Township, Michigan (the “Property”); (ii) finance all or a portion of the costs of the construction, improvement, equipping and furnishing of an addition to the Utica Road Facilities (the “Project”); (iii) fund a debt service reserve fund; and (iv) pay certain expenses incidental to the issuance of the Series 2024 Bonds and the Municipal Obligation. See “THE SERIES 2024 BONDS” herein.

**AUTHORIZED DENOMINATIONS.** The Series 2024 Bonds will be issuable as fully registered bonds without coupons in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof (the “Authorized Denominations”). See “THE SERIES 2024 BONDS – General” herein.

**THE ACADEMY.** The Academy began operations as a public school academy in September 1999 and enrolled approximately 113 students in grades K-3. In the 2000-01 school year, the Academy expanded the number of grades served to include grades K-5 and served approximately 269 students. By the 2017-18 school year, the Academy served approximately 633 students in grades K-8. The Academy began offering a tuition-based pre-kindergarten (“PreK”) program in the 2015-16 school year.

As of the first Wednesday in October of each school year (the “Fall Count Date”), in grades K-8, the Academy enrolled 632 students in the 2020-21 school year, 624 students in the 2021-22 school year, 644 students in the 2022-23 school year, and 661 students in the 2023-24 school year. As of September 24, 2024, the Academy enrolled 681 students in grades K-8. In addition to the K-8 enrollment, the PreK Program enrolled 29 students as of such date.

The Academy offers grades PreK-2 from the public school academy located at 11401 Metro Parkway, Sterling Heights, Michigan 48312 (the “Sterling Heights Facilities” and together with the Utica Road Facilities, the “Academy Facilities”) and grades 3-8 from the Utica Road Facilities. The Academy Facilities are located approximately 3.1 miles apart from each other.

After the completion of the Project, which will be substantially completed by July 31, 2025, the Academy will move grades PreK-2 from the Sterling Heights Facilities to the Utica Road Facilities, thereby consolidating grades PreK-8 into a single campus location. After the completion of the Project and no later than August 31, 2025, the Academy expects to cease the use the Sterling Heights Facilities and expects to operate solely from the Utica Road Facilities. If the Project is delayed, the Academy intends to extend the lease for the Sterling Heights Facilities as described herein, providing the Academy an additional four months to finish the Project.

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\* Preliminary, subject to change.

**THE CHARTER AND THE AUTHORIZING BODY.** The Ferris State University (“FSU”) Board of Trustees is the authorizing body of the Academy (the “Authorizing Body”) and has issued a charter contract (the “Charter”) to the Academy confirming its status as a Michigan public school academy operating under Part 6A of the Revised School Code. The Authorizing Body oversees and monitors the Academy’s Board of Directors in their compliance with all applicable State and federal laws pertaining to public school academies.

The Academy is governed by a volunteer board of directors (the “Board”) and operates pursuant to the Contract to Charter a Public School Academy effective July 1, 2023 (the “Charter”), issued to the Academy by the Ferris State University Board of Trustees (the “Authorizing Body”) for a term of seven years expiring on June 30, 2030, unless sooner terminated according to the terms of the Charter. The Charter was originally entered into in May 1999, and was renewed in 2004, 2009, 2011, 2016, and 2023. See “THE ACADEMY – Charter” and “– School Governance and Management” herein.

**THE AUTHORITY.** The Authority is an autonomous public body corporate and politic, separate and distinct from the State of Michigan (the “State”), created by Executive Order 2010-2 issued by the Governor on March 4, 2010 and effective by its terms on May 30, 2010. Under the Executive Order, among other things, the Authority is the successor to the Michigan Public Educational Facilities Authority created under Executive Order 2002-3, MCL. 12.192. The Authority is authorized to issue its bonds or notes and to make money available to public schools (including public school academies) by the purchase of, among other things, municipal obligations, or making loans to a nonprofit corporation for the benefit of a public school academy. See “THE AUTHORITY” herein.

**SCHOOL GOVERNANCE AND MANAGEMENT.** The governing body for the Academy, the Board of Directors (the “Academy Board”), currently consists of seven (7) members. Any vacancies on the Academy Board are determined and filled pursuant to the provisions set forth in the Academy’s Bylaws and are subject to the approval of the Authorizing Body. The day-to-day operations of the Academy are managed by its Educational Service Provider.

The Academy entered into an educational service provider agreement (the “Management Agreement”) dated July 1, 2023, by and among CS Partners, Inc., a Michigan corporation, CSP Management Inc., a Michigan corporation d/b/a Partner Solutions for Schools (together, “CSP” or the “Manager”). The term of the Management Agreement ends June 30, 2030, unless terminated sooner in accordance with the terms of the Management Agreement. The Academy and CSP work together to develop and bring about systems of educational excellence and services to the Academy based on CSP’s vision of school design, CSP’s management principles and the educational program. CSP specializes in providing charter schools with a variety of educational services and products, including business management, curriculums, educational programs, teacher training and technology. CSP provides to the Academy all labor, material and supervision necessary to provide the educational services to students of the academy, and provides for the personnel, management, operation and maintenance of the Academy. As of the 2024-25 school year, CSP manages 37 schools, either in a full-service capacity or a select number of services. They collectively serving over 15,000 students in grades PreK-12. See “THE ACADEMY – School Governance and Management” herein.

**THE ACADEMY FACILITIES AND THE PROJECT.** The Academy offers grades PreK-2 from the Sterling Heights Facilities and grades 3-8 from the Utica Road Facilities. The Academy Facilities are located approximately 3.1 miles apart from each other.

The Sterling Heights Facilities include a one-story approximately 23,000 square foot modular building consisting of 19 classrooms, a computer room, and an art room. The Sterling Heights Facilities have a maximum student capacity of 420 students.

The Academy currently ground leases the land on which the Sterling Heights Facilities are located from St. John Greek Orthodox Church pursuant to an agreement dated September 1, 2000, that expires on August 31, 2025. The Sterling Heights Facilities were constructed by the Academy with the proceeds of the Prior Obligations (See “OTHER BORROWINGS AND FUTURE FINANCINGS – The Series 2015 Bonds”). The Academy has received a

letter from the church indicating that the church would be willing to extend the ground lease if needed in connection with any Project delay.

The Utica Road Facilities are located on approximately 36 acres and are improved by a one-story approximately 25,000 square foot building consisting of 16 classrooms, technology lab, media center, art room, music room and offices. The Utica Road Facilities currently have a maximum student capacity of 600 students.

The Utica Road Facilities will expand to a one-story approximately 55,311 square foot educational facility that will have a maximum student capacity of 1,135 students based on building size and 850 students based on the Academy's current academic programming model. See "THE ACADEMY FACILITIES AND THE PROJECT" below for additional details regarding the Project.

After the completion of the Project, which is anticipated to be substantially completed by July 31, 2025, the Academy will move grades PreK-2 from the Sterling Heights Facilities to the Utica Road Facilities, therefore consolidating grades PreK-8 into a single campus location. After the completion of the Project and no later than August 31, 2025, the Academy expects to cease the use of the Sterling Heights Facilities and expects to operate solely from the Utica Road Facilities. If the Project is delayed, the Academy intends to extend the lease for the Sterling Heights Facilities as described herein, providing the Academy an additional four months to finish the Project.

See "THE ACADEMY FACILITIES AND THE PROJECT" herein and "APPENDIX A – HURON ACADEMY – THE ACADEMY FACILITIES."

**THE PLAN OF FINANCE.** The Series 2024 Bonds are being issued to purchase the Municipal Obligation from the Academy. The proceeds of the Municipal Obligation will be used by the Academy to: (i) refund the Prior Obligation; (ii) finance the Project; (iii) fund a debt service reserve fund; and (iv) pay certain expenses incidental to the issuance of the Series 2024 Bonds and the Municipal Obligation.

**SECURITY FOR THE SERIES 2024 BONDS.** The Series 2024 Bonds are limited obligations of the Authority and are payable by the Authority solely from the Academy's Bond Payments and Additional Payments due under the Financing Agreement (as described below) and other funds pledged by the Academy under the Indenture. The Academy has pledged to pay the Bond Payments and Additional Payments due under the Financing Agreement from State School Aid received by the Academy and the Academy has entered into a State Aid Agreement relating to the intercept and/or advance of its State School Aid. The Academy's ability to make payments under the Financing Agreement is subject to and dependent on State School Aid received on a per-student basis from the State of Michigan. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS – State School Aid Pledge," "– Direct Transfer of State School Aid for Payment of the Financing Agreement," and "– State School Aid Source" herein. The Series 2024 Bonds are also secured by certain funds established by the Indenture, including a Reserve Fund, and are further secured by a Mortgage dated as of November 1, 2024 (the "Mortgage") with respect to the Utica Road Facilities. The Academy's Sterling Heights Facilities are not part of the Mortgage and do not secure the Series 2024 Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS – The Reserve Fund" and "– The Mortgage and the Environmental Report." See "LIMITATION ON ADDITIONAL BONDS AND ADDITIONAL INDEBTEDNESS" hereunder.

*The Project Fund.* The Indenture establishes a Project Fund. Certain proceeds of the Series 2024 Bonds will be delivered to the Trustee for deposit into the Project Fund. Moneys in the Project Fund will be expended and disbursed to pay costs of the Project, in accordance with the provisions of the Financing Agreement.

*The Bond Fund.* The Indenture establishes a Bond Fund, and within the Bond Fund are established a Revenue Account and a State Aid Intercept Account. In the State Aid Intercept Account will be deposited all Academy Repayments under the Municipal Obligation and the Financing Agreement consisting of Scheduled Bond Payments (as defined in the Financing Agreement) and Additional Payments (including Reserve Fund Payments) which are made pursuant to the State Aid Agreement. In the Revenue Account will be deposited (a) all Academy Repayments under the Municipal Obligation and the Financing Agreement other than Scheduled Bond Payments, including all proceeds resulting from the enforcement of the security or its realization as collateral; (b) Investment Income; and (c) all other moneys received by the Trustee under the Financing Agreement for deposit in the Revenue Account of the Bond Fund.

*The Reserve Fund.* The Indenture establishes a Reserve Fund, and within the Reserve Fund are established the Academy Funded Reserve Account and the Authority Funded Reserve Account. On the Issue Date, the Academy Funded Reserve Account is to be funded with Series 2024 Bond proceeds in the amount of \$340,000\* and the Authority Funded Reserve Account is to be funded with \$500,000\* of Appropriated Funds (as described in the Indenture). If at any time there are not sufficient funds in the Bond Fund for the payment of principal of, premium, if any, and interest on the Series 2024 Bonds as the same become due and during the continuance of an Event of Default (as described in the Indenture), the Trustee will withdraw from the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal, premium, if any, and interest then due on the Series 2024 Bonds.

*The Repair and Replacement Fund.* The Indenture establishes a Repair and Replacement Fund. On each Payment Date, the Academy will pay to the Trustee for deposit to the Repair and Replacement Fund the amount of \$1,818, provided that the maximum amount the Academy will be required to deposit each Fiscal Year will not be more than \$20,000. Additionally, there will be deposited into the Repair and Replacement Fund all other moneys required to be deposited into the Repair and Replacement Fund pursuant to the Financing Agreement and the Indenture. Any amounts on deposit in the Repair and Replacement Fund in excess of the Repair and Replacement Fund Requirement (\$200,000, or such higher amount as may be required by the Capital Needs Assessment (defined herein), subject to the payment requirement limitations in the Financing Agreement and distribution limitations in the Indenture) will be transferred by the Trustee to the Academy; provided, however, that the amount remaining in the Repair and Replacement Fund immediately after such transfer will not be less than the Repair and Replacement Fund Requirement. The Repair and Replacement Fund will be used for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the Utica Road Facilities in sound condition.

**THE SERIES 2024 BONDS ARE PAYABLE SOLELY FROM THE ACADEMY'S BOND PAYMENTS AND ADDITIONAL PAYMENTS DUE UNDER THE FINANCING AGREEMENT AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN 20% OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY FOR EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE BOND PAYMENTS AND ADDITIONAL PAYMENTS UNDER THE FINANCING AGREEMENT AND ANY OTHER LONG-TERM DEBT OF THE ACADEMY. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE, AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONEYS FOR SUCH PURPOSE. THE SERIES 2024 BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE OF MICHIGAN (THE "STATE"), THE FERRIS STATE UNIVERSITY BOARD OF TRUSTEES (THE AUTHORIZING BODY OF THE ACADEMY), ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES GOVERNMENT, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, THE FERRIS STATE UNIVERSITY BOARD OF TRUSTEES, ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE SERIES 2024 BONDS. THE AUTHORITY HAS NO TAXING POWER. SEE "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS" AND "RISK FACTORS" HEREIN.**

**ADDITIONAL PARITY OBLIGATIONS MAY BE ISSUED IN THE FUTURE AS PROVIDED IN THE INDENTURE. SEE "LIMITATION ON ADDITIONAL BONDS AND ADDITIONAL INDEBTEDNESS" HEREIN.**

**ADDITIONAL BONDS AND ADDITIONAL INDEBTEDNESS.** The Indenture permits the issuance of Additional Bonds and Academy Bonds on a parity basis with the Series 2024 Bonds, but requires certain tests and certifications to be satisfied (the Series 2024 Bonds and any Additional Bonds are collectively, the "Bonds"). The Financing Agreement further permits the Academy to issue Additional Indebtedness on a subordinate basis to the Series 2024 Bonds except for State School Aid notes to cover short-term cash-flow shortages which may be issued by the Academy on a parity basis with the Series 2024 Bonds. See "LIMITATION ON ADDITIONAL BONDS AND ADDITIONAL INDEBTEDNESS" hereunder.

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\* Preliminary, subject to change.

**OPERATING RESERVE BALANCE COVENANT.** Pursuant to the terms of the Financing Agreement, the Academy covenants and agrees to maintain as of each June 30, commencing June 30, 2025, an unrestricted Cash on Hand (as defined in the Financing Agreement) in its operation fund equal to or greater than 45 Days Cash on Hand (the “Cash on Hand Requirement”). See “OPERATING COVENANTS – Operating Reserve Balance Covenant.”

**DAYS CASH ON HAND AND DEBT SERVICE COVERAGE RATIO COVENANTS.** Under the Financing Agreement, the Academy covenants and agrees to comply with either of the following covenants: (a) maintain sixty (60) Days Cash on Hand and Net Income Available for Debt Service in each Fiscal Year, commencing with the Fiscal Year ending June 30, 2025, that will be at least one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year; or (b) if the Academy maintains fewer than sixty (60) Days Cash on Hand, then the Academy will maintain a Net Income Available for Debt Service in each Fiscal Year, commencing with the Fiscal Year ending June 30, 2025, that will be at least one hundred ten percent (110%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year. See “OPERATING COVENANTS – Days Cash on Hand and Debt Service Coverage Ratio Covenants.”

**MANAGEMENT CONSULTANT.** In the event that the Academy does not comply with the Operating Reserve Balance Covenant, Days Cash on Hand and Debt Service Coverage Ratio Covenants, or an amount equal to 20% of the Academy’s State School Aid has not been sufficient, as determined as of June 30 in any year, to make the Bond Payments due with respect to the Series 2024 Bonds in the past year, the Academy is required to promptly employ a Management Consultant. See “APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT – THE FINANCING AGREEMENT – FURTHER OBLIGATIONS OF THE ACADEMY – Management Consultant.”

**ACADEMIC PERFORMANCE.** The Academy covenants and agrees that, beginning with the 2024-25 school year and each year thereafter, it will maintain its academic performance so as not to be designated as a Comprehensive Support and Improvement School (“CSI School”) or Targeted Support and Improvement School (“TSI School”) determined under the State’s Every Student Succeeds Act accountability plan (the “ESSA Plan”). For a further discussion of CSI and TSI Schools, see “APPENDIX A – HURON ACADEMY – ACADEMIC PERFORMANCE AND ACCOUNTABILITY – Academic Performance and the Accountability System under ESSA – *Michigan School Index System*” and “– Academic Performance and the Accountability System under State Law – *Performance and Adequate Achievement Standards*.” If the State discontinues its use of the current academic accountability measurements and standards, the Academy covenants to maintain academic performance comparable to the current standards. In the event the Academy is designated as a TSI School for two (2) consecutive school years or as a CSI School, the Academy will promptly employ, at its sole expense, an Educational Consultant to review and analyze the instructional program and curriculum of the Academy, and submit to the Academy and the Trustee a compliance plan wherein the Educational Consultant and the Academy will create benchmarks to assist the Academy so that it is not designated as a CSI or TSI School. See “OPERATING COVENANTS – Academic Performance.”

**CONSOLIDATION, MERGER, SALE OR CONVEYANCE.** The Academy agrees that during the term of the Financing Agreement it will not merge or consolidate with any other entity, or sell or convey its interest in the Utica Road Facilities except as otherwise permitted in the Financing Agreement. Prior to any merger or consolidation, the Academy must demonstrate that, while taking into account the merger or consolidation, it meets either of the tests for the incurrence of Long-Term Indebtedness set forth in the Financing Agreement.

**CAPITAL NEEDS ASSESSMENT.** The Academy agrees to prepare and deliver to the Trustee, on or before June 30, 2030, and on every fifth anniversary thereafter, a needs assessment for the ensuing five-year period with respect to the Utica Road Facilities (the “Capital Needs Assessment”). The Capital Needs Assessment will include the projected costs of the required capital expenditures for such period identified in the Capital Needs Assessment. The Academy agrees to budget for and complete any capital repairs relating to the Utica Road Facilities identified by the Capital Needs Assessment. If funds on hand in the Repair and Replacement Fund are not sufficient to meet the capital needs set forth in the Capital Needs Assessment, the Academy will budget for such capital needs such that the capital needs can be met within the five-year period covered by the Capital Needs Assessment. The monthly deposit to the Repair and Replacement Fund will be increased to an amount sufficient to cover the five-year period covered by the Capital Needs Assessment.

**THE FINANCIAL PROJECTION.** The Financial Projection included in “APPENDIX B – FINANCIAL PROJECTION” (the “Projection”) and projected enrollments are based upon assumptions made by management of the Academy. There are usually differences between the projected and actual results, because events and circumstances frequently may not occur as expected, and those differences may be material. In addition, the Projection relates only to the fiscal years of the Academy ending June 30, 2025, through June 30, 2029, and consequently does not cover the entire period that the Series 2024 Bonds may be outstanding. The Projection is based upon various assumptions and projections with respect to the future, including without limitation economic conditions generally and in the State, State educational policies, federal and State educational funding, the performance of the Academy and competition. Actual results may vary materially from the Projection. See “APPENDIX B – FINANCIAL PROJECTION” herein.

**TAX STATUS.** In the opinion of the Attorney General of the State of Michigan and Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, subject to compliance with certain covenants, under existing law, (i) the interest on the Series 2024 Bonds is excludable from gross income for federal income tax purposes; (ii) the interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; and (iii) the Series 2024 Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See “TAX MATTERS” herein.

**DELIVERY INFORMATION.** The Series 2024 Bonds are offered when, as, and if issued by the Authority and accepted by Raymond James & Associates, Inc. as underwriter for the Series 2024 Bonds (the “Underwriter”), subject to the prior sale and the approving legal opinion of Bond Counsel, the Attorney General of the State of Michigan, and certain other conditions. It is expected that the Series 2024 Bonds will be available for delivery through the facilities of DTC on or about November 25, 2024\*.

**RISK FACTORS.** The purchase of the Series 2024 Bonds involves a high degree of risk, including but not limited to the termination, revocation, nonrenewal or suspension of the Academy’s Charter. See “RISK FACTORS – Termination, Revocation or Non-Renewal of Charter,” “– Authorizing Body Certificate Condition to Issuance of the Series 2024 Bonds,” and “– Recent Actions by Charter Authorizers” hereunder. Prospective investors should review all of the information in this Official Statement and appendices carefully prior to purchasing any of the Series 2024 Bonds, including particularly, but without limitation, the section entitled “RISK FACTORS.”

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\* Preliminary, subject to change



## OFFICIAL STATEMENT

**\$12,660,000\***

**MICHIGAN FINANCE AUTHORITY  
Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds  
(Huron Academy Project), Series 2024**

### INTRODUCTION

This Official Statement (including the cover page and appendices) is provided to furnish information in connection with the issuance and sale by the Michigan Finance Authority (the “Authority”) of its Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024 in the original aggregate principal amount of \$12,660,000\* (the “Series 2024 Bonds”). The Series 2024 Bonds will be limited obligations of the Authority as described under the caption “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS” herein.

The Series 2024 Bonds will be issued under a Trust Indenture dated as of November 1, 2024 (the “Indenture”), between U.S. Bank Trust Company, National Association, St. Paul, Minnesota (the “Trustee”), and the Authority. The Authority will use the proceeds of the Series 2024 Bonds to purchase the Huron Academy’s (the “Academy”) School Building and Site and Refunding Bond, Series 2024, dated the date of issuance of the Series 2024 Bonds (the “Municipal Obligation”) pursuant to a Financing Agreement dated as of November 1, 2024 (the “Financing Agreement”), between the Academy and the Authority.

The Academy will use the proceeds of the Municipal Obligation to: (i) refund the Academy’s Public School Academy Revenue and Refunding Bonds, Series 2015, in the original principal amount of \$8,500,000 dated July 31, 2015 (the “Prior Obligation”); the proceeds of which were used to finance the costs of (1) the renovation of the Academy’s school facility located in Sterling Heights, Michigan; and (2) the acquisition of vacant land and the construction and equipping of the Academy’s school facility located in Clinton Township, Michigan (the “Utica Road Facilities”) located at 36301 Utica Road, Clinton Township, Michigan (the “Property”); (ii) finance all or a portion of the costs of the construction, improvement, equipping and furnishing of an addition to the Utica Road Facilities (the “Project”); (iii) fund a debt service reserve fund; and (iv) pay certain expenses incidental to the issuance of the Series 2024 Bonds and the Municipal Obligation.

The Academy’s Bond Payments due and payable to the Authority under the Municipal Obligation and the Financing Agreement will be sufficient to pay the principal of, premium, if any and interest on the Series 2024 Bonds when due.

The Series 2024 Bonds are secured by a pledge made by the Academy in the Financing Agreement of a portion (not exceeding 20% annually) of the funds to be received by the Academy from the State of Michigan (the “State”) pursuant to the operation of the State School Aid Act, Act 94, Public Acts of Michigan, 1979, MCL 388.1601, *et seq.*, as amended (“State School Aid Act”). Pursuant to the State Aid Agreement dated as of November 1, 2024 (the “State Aid Agreement”), by and among the Academy, the State Treasurer of the State of Michigan, the Trustee, the Ferris State University Board of Trustees, fiscal agent for the Academy, and the Authority, the Academy has directed that 20% of the State School Aid funds to be received by the Academy in each fiscal year from the State of Michigan be paid directly to the Trustee, except, as described herein, that up to 97% of any particular payment of State School Aid may be payable to the Trustee under certain circumstances.

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\*Preliminary, subject to change.

The Academy will also grant a mortgage on the Utica Road Facilities to the Trustee pursuant to a Mortgage dated as of November 1, 2024 (the “Mortgage”). The Academy’s Sterling Heights Facilities (as described herein) are not part of the Mortgage and do not secure the Series 2024 Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS – State School Aid Pledge” and “– Direct Transfer of State School Aid for Payment of the Financing Agreement” herein.

For the definition of certain words and terms used in this Official Statement, see “APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT.”

THE SERIES 2024 BONDS ARE PAYABLE SOLELY FROM THE ACADEMY’S BOND PAYMENTS AND ADDITIONAL PAYMENTS DUE UNDER THE FINANCING AGREEMENT AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN 20% OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY FOR EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE BOND PAYMENTS AND ADDITIONAL PAYMENTS UNDER THE FINANCING AGREEMENT AND ANY OTHER LONG-TERM DEBT OF THE ACADEMY. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE, AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONEYS FOR SUCH PURPOSE. THE SERIES 2024 BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE OF MICHIGAN (THE “STATE”), THE FERRIS STATE UNIVERSITY BOARD OF TRUSTEES (THE AUTHORIZING BODY OF THE ACADEMY), ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES GOVERNMENT, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, THE FERRIS STATE UNIVERSITY BOARD OF TRUSTEES, ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE SERIES 2024 BONDS. THE AUTHORITY HAS NO TAXING POWER. SEE “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS” AND “RISK FACTORS” HEREIN.

## **THE ACADEMY**

The Academy is a public school academy, operating as a Michigan non-profit corporation, and a governmental agency of the State of Michigan organized pursuant to Part 6A of the Revised School Code, Act 451, Public Acts of Michigan, 1976, as amended (the “Revised School Code”), MCL 380.501 *et seq.* and the Michigan Nonprofit Corporation Act, Act 162, Public Acts of Michigan, 1982, as amended, MCL 450.2101 *et seq.*

### **Charter**

The Academy is governed by a volunteer Board of Directors (the “Academy Board”) and operates under a charter contract effective July 1, 2023 (the “Charter”), with Ferris State University (“FSU”) Board of Trustees, its authorizing body (the “Authorizing Body”). The Authorizing Body has issued the Charter to the Academy confirming its status as a Michigan public school academy operating under Part 6A of the Revised School Code for a term of seven years expiring on June 30, 2030, unless sooner terminated according to the terms of the Charter. The Charter was originally entered into in May 1999, and was renewed in 2004, 2009, 2011, 2016, and 2023. The Authorizing Body oversees and monitors the Academy’s Board of Directors in their compliance with all applicable State and federal laws pertaining to public school academies.

See “APPENDIX A – HURON ACADEMY – THE CHARTER AGREEMENT” and “RISK FACTORS – Termination, Revocation or Non-Renewal of Charter,” “– Authorizing Body Certificate

Condition to Issuance of the Series 2024 Bonds,” “– Recent and Future Changes to Charter School Laws” and “– Recent Actions by Charter Authorizers” herein.

## **Students**

The Academy began operations as a public school academy in September 1999 and enrolled approximately 113 students in grades K-3. In the 2000-01 school year, the Academy expanded the number of grades served to include grades K-5 and served approximately 269 students. By the 2017-18 school year, the Academy served approximately 633 students in grades K-8. The Academy began offering a tuition-based pre-kindergarten (“PreK”) program in the 2015-16 school year.

As of the first Wednesday in October of each school year (the “Fall Count Date”), in grades K-8, the Academy enrolled 632 students in the 2020-21 school year, 624 students in the 2021-22 school year, 644 students in the 2022-23 school year, and 661 students in the 2023-24 school year. As of September 24, 2024, the Academy enrolled 681 students in grades K-8. In addition to the K-8 enrollment, the PreK Program enrolled 29 students as of such date.

For further information regarding the Academy and enrollment, see “APPENDIX A – HURON ACADEMY.”

## **School Governance and Management**

The governing body for the Academy, the Academy Board, currently consists of seven (7) members. Any vacancies on the Academy Board are determined and filled pursuant to the provisions set forth in the Academy’s Bylaws and are subject to the approval of the Authorizing Body. The day-to-day operations of the Academy are managed by its administrators.

The Academy entered into an educational service provider agreement (the “Management Agreement”) dated July 1, 2023, by and among CS Partners, Inc., a Michigan corporation, CSP Management Inc., a Michigan corporation d/b/a Partner Solutions for Schools (together, “CSP” or the “Manager”). The term of the Management Agreement ends June 30, 2030, unless terminated sooner in accordance with the terms of the Management Agreement. The Management Agreement was originally entered into in 2005 and has been renewed with each renewal of the Charter thereafter.

The Academy and CSP work together to develop and bring about systems of educational excellence and services to the Academy based on CSP’s vision of school design, CSP’s management principles and the educational program. CSP specializes in providing charter schools with a variety of educational services and products, including business management, curriculums, educational programs, teacher training and technology. CSP provides the Academy all labor, material and supervision necessary to provide the educational services to students of the academy, and provides for the personnel, management, operation and maintenance of the Academy. As of the 2024-25 school year, CSP manages 37 schools, either in a full-service capacity or a select number of services. They collectively serve over 15,000 students in grades PreK-12.

## **THE ACADEMY FACILITIES AND THE PROJECT**

### **The Sterling Heights Facilities and the Utica Road Facilities**

The Academy offers grades PreK-2 from the Sterling Heights Facilities and grades 3-8 from the Utica Road Facilities. The Sterling Heights Facilities and the Utica Road Facilities are located approximately 3.1 miles apart from each other.

The Sterling Heights Facilities include a one-story approximately 23,000 square foot modular building consisting of 19 classrooms, a computer room, and an art room. The Sterling Heights Facilities have a maximum student capacity of 420 students.

The Academy currently ground leases the land on which the Sterling Heights Facilities are located from St. John Greek Orthodox Church pursuant to an agreement dated September 1, 2000, that expires on August 31, 2025. The Sterling Heights Facilities were constructed by the Academy with the proceeds of the Prior Obligations (See “APPENDIX A - OTHER BORROWINGS AND FUTURE FINANCINGS – The Series 2015 Bonds”). The Academy has received a letter from the church indicating that the church would be willing to extend the ground lease if needed in connection with any Project delay.

The Utica Road Facilities are located on approximately 36 acres and are improved by a one-story approximately 25,000 square foot building consisting of 16 classrooms, technology lab, media center, art room, music room and offices. The Academy Facilities currently have a maximum student capacity of 600 students.

## **The Project**

The Project consists of the construction of an approximately 23,150 square feet addition to the Utica Road Facilities, which will add 15 classrooms, a special education classroom, a multi-purpose room, a music and art room, library/computer lab, and a teachers lounge. The Project is expected to cost approximately \$5,212,500 and be substantially completed by July 31, 2025. The Utica Road Facilities will expand to a one-story approximately 55,311 square foot educational facility that will have a maximum student capacity of 1,135 students based on building size and 850 students based on the Academy’s current academic programming model. After the completion of the Project, which is will be substantially completed by July 31, 2025, the Academy will move grades PreK-2 from the Sterling Heights Facilities to the Utica Road Facilities, therefore consolidating grades PreK-8 into a single campus location. After the completion of the Project, the Academy expects to cease the use the Sterling Heights Facilities and expects to operate solely from the Utica Road Facilities. The Academy currently ground leases the land on which the Sterling Height Facilities are located from St. John Greek Orthodox Church pursuant to an agreement dated September 1, 2000, that expires on August 31, 2025. The Sterling Heights Facilities were constructed by the Academy with the proceeds of the Prior Obligations (See APPENDIX A – “OTHER BORROWINGS AND FUTURE FINANCINGS – The Series 2015 Bonds”). The Academy has received a letter from the church indicating that the church would be willing to extend the ground lease if needed in connection with any Project delay. If the Project is delayed, the Academy intends to extend the lease for the Sterling Heights Facilities as described herein, providing the Academy an additional four months to finish the Project.

The Academy is expected to enter into an AIA Form A133-2019 Standard Form of Agreement Between Owner and Construction Manager as Constructor, as modified (the “Construction Contract”) between the Academy and Cunningham-Limp Development Company (the “Contractor”) for a guaranteed maximum price of \$5,212,500. The guaranteed maximum price is expected to include construction contingencies of \$180,000. The Contractor will furnish and install all of the materials and labor and perform all of the work for the Project required by the Academy. The Contractor will provide full payment and performance bonds for the Project. The Construction Contract is not expected to include liquidated damages, but provides for 10% retainage as well as retention of 150% of the estimated cost of punch list items. The substantial completion deadline is of essence to the Construction Contract and, should the Contractor fail to meet the substantial completion deadline, the Academy has several additional options, including terminating the Construction Contract and filing a claim on the performance bond and/or exercising the option to extend the Ground Lease for the Sterling Heights Facilities as described herein.

The Academy expects to provide information about the final guaranteed maximum price for the Project on or about October 25, 2024.

In addition, the Academy expects to engage Partners in Architecture, PLC (the “Architect”) pursuant to a B133-2019, Standard Form of Agreement Between Owner and Architect, Construction Manager as Constructor Edition, as amended.

See “RISK FACTORS – Construction Risks.”

### **Construction Budget and Schedule**

The construct budget and schedule, as prepared by the Construction Manager, are set forth in “APPENDIX A – HURON ACADEMY – THE ACADEMY FACILITIES – THE PROJECT – Construction Budget and Schedule.” See “RISK FACTORS – Construction Risks.”

For further information regarding the Sterling Heights Facilities and the Utica Road Facilities, see “APPENDIX A – HURON ACADEMY – THE ACADEMY FACILITIES.”

### **THE AUTHORIZING BODY**

The FSU Board of Trustees is the authorizing body of the Academy. The Authorizing Body oversees and monitors the Academy Board in their compliance with all applicable State and federal laws pertaining to public school academies.

The Charter Schools Office at FSU is responsible for the oversight of 19 public school academies, including the Academy.

### **THE AUTHORITY**

The Authority is an autonomous public body corporate and politic, separate and distinct from the State of Michigan, created by Executive Order 2010-2 issued by the Governor on March 4, 2010 and effective by its terms on May 30, 2010 (the “Executive Order”). Under the Executive Order, among other things, the Authority is the successor to the Michigan Public Educational Facilities Authority created under Executive Order 2002-3, MCL § 12.192. The Authority is authorized to issue its bonds or notes and to make money available to public schools (including public school academies) by the purchase of, among other things, municipal obligations, or making loans to a nonprofit corporation for the benefit of a public school academy.

In addition to the Series 2024 Bonds, the Authority (including its various predecessor authorities under the Executive Order) has outstanding, and the Authority expects to issue in the future, short- and long-term obligations under other Authority programs. The Security (as defined in the Indenture) for the Series 2024 Bonds does not serve as security for any other of the Authority’s obligations nor does the security for any of the Authority’s other programs serve as security for the Series 2024 Bonds.

Under the Executive Order, the Authority is within the State Department of Treasury but exercises its powers, duties and functions independently of the State Treasurer (except for the State Treasurer’s appointment of administrative staff and exercise of certain administrative functions related to staff, pursuant to the Governor’s Executive Order 2002-12). The Authority’s address is Richard H. Austin State Office Building, 430 West Allegan Street, 1st Floor, Lansing, Michigan 48922, and its telephone number is (517) 335-0994.

(The remainder of this page is intentionally left blank.)

## Membership

The Authority is governed by a seven-member board of directors (the “Board”). The State Treasurer serves as the Chairperson of the Board. The Authority is authorized to employ an Executive Director, legal and technical experts and other officers, agents or employees, permanent or temporary.

The members of the Board are appointed by the Governor of the State with the advice and consent of the Michigan State Senate. The members serve for various terms and continue to serve until successors are appointed and file the oath of office, or in the event of resignation, until the Governor of the State of Michigan accepts such resignation.

The members of the Board are:

Rachael Eubanks	State Treasurer
Bill Beekman	Vice President for Strategic Initiatives, Michigan State University
Lauren Bigelow	Managing Partner, Growth Capital Network
Wafa S. Dinero	Executive Director, New Economy Initiative, Community Foundation for Southeast Michigan
Timothy Hoffman	Retired Executive Director of Regulatory Affairs, Consumer Energy
Wesley D. Smith	Assistant Vice President and Treasurer, University of Michigan
Murray D. Wikol	President & CEO, ProVisions, LLC

The Executive Director of the Authority is Alyson N. Hayden, Director, Bureau of State and Authority Finance, Michigan Department of Treasury.

The Indenture provides that the covenants, stipulations, promises, agreements and obligations of the Authority contained in the Indenture are those of the Authority and not of any member of the Board or any officer or employee of the Authority in his or her individual capacity and that no recourse shall be had for the payment of the principal of, premium, if any, or interest on the Series 2024 Bonds or for any claim based thereon or on the Indenture against any member of the Board, any officer or employee of the Authority or any person executing the Series 2024 Bonds.

THE SERIES 2024 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AS DESCRIBED IN THIS OFFICIAL STATEMENT. THE AUTHORITY IS NOT GENERALLY LIABLE ON THE SERIES 2024 BONDS OR ON ANY OTHER OBLIGATION INCURRED BY THE AUTHORITY UNDER THE INDENTURE OR THE FINANCING AGREEMENT. THE SERIES 2024 BONDS ARE NOT GENERAL OBLIGATIONS AND DO NOT CONSTITUTE DEBTS OR PLEDGES AGAINST THE GENERAL CREDIT OF THE AUTHORITY OR THE CREDIT OR TAXING POWER OF THE STATE OF MICHIGAN. THE SERIES 2024 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, WHICH WILL, IF AND WHEN ISSUED, BE PAYABLE SOLELY THROUGH REVENUES, PROPERTIES OR OTHER FUNDS AS DESCRIBED IN THIS OFFICIAL STATEMENT, THE INDENTURE AND THE FINANCING AGREEMENT. NO OWNER OF ANY SERIES 2024 BOND SHALL HAVE THE RIGHT TO DEMAND PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON SUCH SERIES 2024 BOND OUT OF ANY FUNDS TO BE RAISED BY TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The Authority has not prepared any material for inclusion in this Official Statement except the matters under the heading “THE AUTHORITY” and “NO LITIGATION – THE AUTHORITY.” The distribution of this Official Statement has been duly approved and authorized by the Authority. Such approval and authorization do not, however, constitute a representation of approval by the Authority of the accuracy or sufficiency of any information contained herein except to the extent of the information contained in this section and in “NO LITIGATION – THE AUTHORITY.”

## SERIES 2024 BONDS NOT A DEBT OF STATE

The Series 2024 Bonds will not constitute or create any debt or debts, liability or liabilities on behalf of the State or any political subdivision thereof, other than a limited obligation of the Authority, nor a loan of the credit of the State or a pledge of the faith and credit of the State or of any such political subdivision, but will be payable solely from the funds provided therefor. The issuance of Series 2024 Bonds under the Indenture will not directly, indirectly or contingently obligate the State of Michigan, the Authority, or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor, or to make any appropriation for their payment. The Authority has no taxing power.

### THE PLAN OF FINANCE

The Series 2024 Bonds are being issued to purchase the Municipal Obligation from the Academy. The proceeds of the Municipal Obligation will be used by the Academy to: (i) refund the Prior Obligation; (ii) finance the Project; (iii) fund a debt service reserve fund; and (iv) pay certain expenses incidental to the issuance of the Series 2024 Bonds and the Municipal Obligation.

On the Issue Date, the Academy Funded Reserve Account is to be funded with Series 2024 Bond proceeds in the amount of \$340,000\* and the Authority Funded Reserve Account is to be funded with \$500,000\* of Appropriated Funds. For a further discussion of “Appropriated Funds” and “Grant Funds,” see “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS – The Reserve Fund” herein.

### SOURCES AND USES OF FUNDS\*

The following table sets forth the estimated sources and uses of the proceeds of the Series 2024 Bonds and certain other funds:

#### SOURCES OF FUNDS

Par Amount of Series 2024 Bonds	\$	12,660,000
Original Issue [Premium/(Discount)]		128,806
Academy Contribution		811,708
Authority Appropriated Funds		500,000
<b>TOTAL SOURCES <sup>(1)</sup></b>	<b>\$</b>	<b>14,100,514</b>

#### USES OF FUNDS

Project Fund		5,408,500
Refunding of Prior Bonds		7,356,222
Authority Funded Reserve Account, Appropriated Funds		500,000
Academy Funded Reserve		340,000
Costs of Issuance <sup>(2)</sup>		495,792
<b>TOTAL USES <sup>(1)</sup></b>	<b>\$</b>	<b>14,100,514</b>

<sup>(1)</sup> Total may not foot due to rounding.

<sup>(2)</sup> Includes, without limitation, Underwriter’s discount, legal and advisory fees, printing costs, rating agency fees, and other costs associated with the issuance of the Series 2024 Bonds.

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\*Preliminary, subject to change.

## DEBT SERVICE REQUIREMENTS\*

The table below sets forth the amounts required to be paid with respect to the Series 2024 Bonds assuming no prepayments other than from scheduled mandatory redemptions. All amounts shown in the table below are gross debt service prior to the application of any earnings on amounts deposited in the Reserve Fund or other funds and accounts established under the Indenture. Interest on the Series 2024 Bonds will be paid on April 1 and October 1 of each year, commencing April 1, 2025\*. Principal of the Series 2024 Bonds will be paid on October 1 of each year, commencing October 1, 2026\*. Amounts deposited in the Reserve Fund are expected to be applied to the final principal payment of the Series 2024 Bonds.

Fiscal Year Ending June 30	Principal Amount (\$)*	Interest Amount (\$)*	Total Debt Service (\$)* <sup>1</sup>
2025	-		
2026	-		
2027	215,000		
2028	225,000		
2029	235,000		
2030	240,000		
2031	250,000		
2032	260,000		
2033	275,000		
2034	285,000		
2035	295,000		
2036	310,000		
2037	325,000		
2038	340,000		
2039	360,000		
2040	380,000		
2041	400,000		
2042	420,000		
2043	440,000		
2044	460,000		
2045	485,000		
2046	510,000		
2047	535,000		
2048	565,000		
2049	595,000		
2050	625,000		
2051	655,000		
2052	690,000		
2053	725,000		
2054	760,000		
2055	800,000		
<b>Total<sup>1</sup></b>	<b>12,660,000</b>		

\* Preliminary, subject to change.

<sup>1</sup> Totals may not foot due to rounding.



## THE SERIES 2024 BONDS

### General

The Series 2024 Bonds will be issuable as fully registered bonds without coupons in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof (the “Authorized Denominations”). The Series 2024 Bonds are issued for the purpose of enabling the Authority to purchase the Municipal Obligation issued by the Academy in a like amount. The Series 2024 Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement, subject to redemption prior to maturity, and will bear interest until paid at the rates shown on the inside cover page of this Official Statement, payable semi-annually on April 1 and October 1 of each year, commencing on April 1, 2025\* (each an “Interest Payment Date”).

Interest on the Series 2024 Bonds is computed on the basis of a 360-day year comprised of twelve 30-day months. Payments of principal of and premium, if any, with respect to the Series 2024 Bonds will be made upon surrender of the Series 2024 Bonds at the office of the Trustee. Payments of interest on the Series 2024 Bonds will be made by check or draft mailed on or before each Interest Payment Date to the registered owner thereof as of the Record Date at his or her address as it last appears on the registration books of the Trustee irrespective of any transfer or exchange of the Series 2024 Bonds subsequent to the Record Date and prior to such Interest Payment Date. The “Record Date” is the 15th day of the calendar month immediately preceding any Interest Payment Date, or as otherwise specified in the Indenture.

### Redemption of Series 2024 Bonds Prior to Maturity

#### *Optional Redemption*

The Series 2024 Bonds maturing on October 1, 20\_\_\*, are subject to redemption at the option of the Academy, on October 1, 20\_\_\*, and on any date thereafter, in whole or in part, at a redemption price equal to the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date, without premium.

#### *Purchase in Lieu of Redemption*

The Series 2024 Bonds are subject to purchase in lieu of redemption by the Authority upon the direction of the Academy prior to their respective maturity dates at any time, in whole or in part, if the following conditions are satisfied:

(i) The Academy and the Bondholders negotiate and agree upon a purchase price that is communicated to the Trustee, provided that the purchase price so negotiated, together with the expense of such purchase, may not exceed the redemption price of the Series 2024 Bonds to be purchased;

(ii) Upon written agreement as described in (i) above, the Authority upon direction of the Academy will direct the Trustee to purchase certain Series 2024 Bonds and will provide funds to the Trustee for deposit in the Bond Fund in the amount necessary to pay the purchase price of the selected portion of the Series 2024 Bonds in excess of that required to fully satisfy the next scheduled interest and principal payments due on the Series 2024 Bonds, and provided there is deposited into the State Aid Intercept Account such amount as the Trustee may require to cover the accrued and anticipated fees and expenses;

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\* Preliminary, subject to change.

(iii) The Trustee confirms that the amount provided for by the Academy pursuant to (ii) above is sufficient to warrant such purchase at the purchase price agreed to by the Academy and the Bondholders pursuant to (i) above; and

(iv) To the extent permitted by law, the Academy shall indemnify and hold harmless the Trustee, in a form and with such security as may be satisfactory to the Trustee, from and against any and all liabilities, claims, or losses arising out of, by virtue of, or in connection with, the tender of Series 2024 Bonds, up to the amount of the value of the Series 2024 Bonds tendered, except in the case of negligence, or willful misconduct on the part of the Trustee.

As Series 2024 Bonds are purchased pursuant to the Indenture, such purchase of Series 2024 Bonds will be considered to have satisfied, in whole or in part, the redemption requirements as set forth in the Indenture in inverse order. Once purchased, such Series 2024 Bonds shall be delivered to the Trustee and cancelled.

***Mandatory Redemption of Term Bonds***

The Series 2024 Bonds maturing October 1, 2034\* are subject to mandatory redemption on October 1, 2026\*, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption as follows:

**Series 2024 Term Bonds Maturing October 1, 2034\***

<u>Year</u>	<u>Amount (\$)</u>	<u>Year</u>	<u>Amount (\$)</u>
2026	215,000	2031	260,000
2027	225,000	2032	275,000
2028	235,000	2033	285,000
2029	240,000	2034**	295,000
2030	250,000		

\*\* stated maturity

The Series 2024 Bonds maturing October 1, 2039\* are subject to mandatory redemption on October 1, 2035\*, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption as follows:

**Series 2024 Term Bonds Maturing October 1, 2039\***

<u>Year</u>	<u>Amount (\$)</u>	<u>Year</u>	<u>Amount (\$)</u>
2035	310,000	2038	360,000
2036	325,000	2039**	380,000
2037	340,000		

\*\* stated maturity

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\*Preliminary, subject to change.

The Series 2024 Bonds maturing October 1, 2044\* are subject to mandatory redemption on October 1, 2040\*, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption as follows:

**Series 2024 Term Bonds Maturing October 1, 2044\***

<u>Year</u>	<u>Amount (\$)</u>	<u>Year</u>	<u>Amount (\$)</u>
2040	400,000	2043	460,000
2041	420,000	2044**	485,000
2042	440,000		

\*\* stated maturity

The Series 2024 Bonds maturing October 1, 2049\* are subject to mandatory redemption on October 1, 2045\*, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption as follows:

**Series 2024 Term Bonds Maturing October 1, 2049\***

<u>Year</u>	<u>Amount (\$)</u>	<u>Year</u>	<u>Amount (\$)</u>
2045	510,000	2048	595,000
2046	535,000	2049**	625,000
2047	565,000		

\*\* stated maturity

The Series 2024 Bonds maturing October 1, 2054\* are subject to mandatory redemption on October 1, 2050\*, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption as follows:

**Series 2024 Term Bonds Maturing October 1, 2054\***

<u>Year</u>	<u>Amount (\$)</u>	<u>Year</u>	<u>Amount (\$)</u>
2050	655,000	2053	760,000
2051	690,000	2054**	800,000
2052	725,000		

\*\* stated maturity

***Mandatory Redemption from Insurance and Condemnation Proceeds***

The Series 2024 Bonds are subject to mandatory redemption in whole at any time or in part (and if in part in Authorized Denominations; provided that no Series 2024 Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of the Series 2024 Bonds to be redeemed plus accrued interest to the redemption date, in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Financing Agreement.

### ***Mandatory Redemption upon Determination of Taxability***

The Series 2024 Bonds will be subject to mandatory redemption prior to maturity, as a whole and not in part, on the earliest practicable date for which notice can be given following the occurrence of a Determination of Taxability under the Indenture, at a redemption price equal to 103% of the principal amount thereof plus accrued interest to the redemption date.

### ***Notices of Redemption***

Notice of redemption shall be given by the Trustee at least 30 days but not more than 45 days prior to the date fixed for redemption by mail to the registered owner or owners at the registered addresses shown on the registration books kept by the Trustee. Failure of any owner to receive such notice shall not affect the redemption proceedings. Except in the case of a Conditional Redemption (as defined in the Indenture), no further interest on the Series 2024 Bonds or portions of Series 2024 Bonds called for redemption shall accrue after the date fixed for redemption, whether such Series 2024 Bonds are presented for redemption or not, provided funds are on hand with the Trustee to redeem the same.

### ***Partial Redemption***

If less than all the outstanding Series 2024 Bonds are called for redemption, the Trustee will select, or arrange for the selection of, the Series 2024 Bonds to be redeemed by lot, in such manner as it will in its discretion determine; provided that any such Bond selected for redemption will be in Authorized Denominations and no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination. If less than the principal amount of a Bond is called for redemption, the Authority will execute and the Trustee will authenticate and deliver, upon surrender of such Bond, without charge to the Bondholder thereof, in exchange for the unredeemed principal amount of such Bond, at the option of such Bondholder, Series 2024 Bonds in any of the Authorized Denominations.

### **Book-Entry-Only System**

Payments of principal of, premium, if any, and interest on the Series 2024 Bonds will be made directly to Cede & Co. by the Trustee, so long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants (as defined in “APPENDIX J – BOOK-ENTRY-ONLY SYSTEM”) is the responsibility of The Depository Trust Company (“DTC”) and disbursement of such payments to the purchasers of beneficial ownership interests in the Series 2024 Bonds is the responsibility of DTC Participants and Indirect Participants (as defined in APPENDIX J). For further information regarding Cede & Co., DTC and the book-entry-only system, see “APPENDIX J – BOOK-ENTRY-ONLY SYSTEM” herein.

### **SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS**

The descriptions and summaries of the Indenture, the Financing Agreement, the State Aid Agreement, the Mortgage and in “APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT” hereto do not purport to be comprehensive or definitive, and reference is

made to each document for the complete details of all terms and conditions. Copies of each document will be available for inspection at the designated office of the Trustee.

## **General**

The Series 2024 Bonds are limited obligations of the Authority and are payable by the Authority solely from the Bond Payments and Additional Payments due from the Academy under the Financing Agreement (as described below) and other funds pledged by the Academy under the Indenture. The Academy has pledged to pay the Bond Payments and Additional Payments due under the Financing Agreement from State School Aid received by the Academy and the Academy has entered into a State Aid Agreement relating to the intercept and/or advance of its State School Aid. The Series 2024 Bonds will be further secured by the Mortgage on the Utica Road Facilities. The Academy's Sterling Heights Facilities are not part of the Mortgage and do not secure the Series 2024 Bonds.

THE SERIES 2024 BONDS ARE PAYABLE SOLELY FROM THE ACADEMY'S BOND PAYMENTS AND ADDITIONAL PAYMENTS DUE UNDER THE FINANCING AGREEMENT AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN 20% OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY FOR EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE BOND PAYMENTS AND ADDITIONAL PAYMENTS UNDER THE FINANCING AGREEMENT AND ANY OTHER LONG-TERM DEBT OF THE ACADEMY. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE, AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONEYS FOR SUCH PURPOSE. THE SERIES 2024 BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE OF MICHIGAN (THE "STATE"), THE FERRIS STATE UNIVERSITY BOARD OF TRUSTEES (THE AUTHORIZING BODY OF THE ACADEMY), ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES GOVERNMENT, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, THE FERRIS STATE UNIVERSITY BOARD OF TRUSTEES, ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE SERIES 2024 BONDS. THE AUTHORITY HAS NO TAXING POWER. SEE "RISK FACTORS" HEREIN.

## **The Indenture**

The Series 2024 Bonds are to be issued pursuant to the Indenture. All Bonds issued thereunder shall be limited obligations of the Authority, payable solely from and secured solely from payments by the Academy under the Financing Agreement and the funds established under the Indenture. As security for its obligations under the Indenture, the Authority will assign to the Trustee the payments received or receivable by the Authority pursuant to the Financing Agreement (except for certain Unassigned Rights), all funds held by the Trustee under the Indenture and all income derived from the investment of such funds.

A Reserve Fund is established for the Series 2024 Bonds pursuant to the Indenture and shall be maintained in an amount equal to the Reserve Fund Requirement. Amounts on deposit in the Reserve Fund shall be available for payment of principal of and interest on the Series 2024 Bonds if Bond Payments by the Academy, along with other available funds, are not sufficient therefor. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS – The Reserve Fund" below.

See "APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT" for a description of certain provisions of the Indenture and certain terms defined therein.

## **The Financing Agreement**

The Academy's Bond Payments and Additional Payments assigned to the Authority under the Financing Agreement will be sufficient to pay the principal of, premium, if any, and interest on the Series 2024 Bonds when due, to make any required deposits into the Reserve Fund, and to pay costs of issuance of the Series 2024 Bonds. See "APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT" for a description of certain provisions of the Financing Agreement and certain terms defined therein.

## **State School Aid Pledge**

Pursuant to the Financing Agreement, the Academy has pledged to pay the Bond Payments and Additional Payments and all other amounts required by the Municipal Obligation or Financing Agreement from State School Aid to be allocated to it and payable to the Authorizing Body, as the Academy's fiscal agent; provided that the State School Aid applied by the Trustee under the Indenture on behalf of the Academy to pay Bond Payments with respect to the Series 2024 Bonds and Additional Payments required under the Financing Agreement with respect to the Municipal Obligation in any fiscal year of the Academy, as well as payments on any other long-term debt of the Academy shall not exceed twenty percent (20%) of the amount of State School Aid payable to the Academy for such fiscal year.

The Academy agrees with the Authority under the Financing Agreement that if the State School Aid Act is modified to provide for a different schedule of periodic State School Aid payments than that is now in effect, the Authority, by written notice to the Trustee, the State Treasurer, the Academy and the Authorizing Body may designate different payment dates (and, to the extent necessary, different Bond Payment amounts) to provide for timely receipt of Bond Payments and Additional Payments consistent with such revised State School Aid payment schedule.

## **Direct Transfer of State School Aid for Payment of the Financing Agreement**

Under the Financing Agreement, the Academy has agreed to pay the Bond Payments and Additional Payments from the State School Aid to be allocated to it and payable to the Authorizing Body. The Authority and the Academy in the Financing Agreement, and the Authority, the State Treasurer, the Trustee, the Academy and its Authorizing Body in the State Aid Agreement, agree that, unless otherwise agreed to in writing by the Authority, the State Treasurer is irrevocably directed to transmit 20% of the Academy's State School Aid payments directly to the Trustee, who shall set aside from such moneys the amount to pay the next Bond Payment and Additional Payment of the Academy required under the Financing Agreement when due.

If, on the due date for any Bond Payment or Additional Payment, the funds with the Trustee are insufficient to pay the Bond Payment or Additional Payment due under the Financing Agreement, the Academy, pursuant to the State School Aid Act to the extent necessary to meet that payment obligation, assigns to the Authority and unconditionally and irrevocably authorizes and directs the State Treasurer to intercept and/or advance not to exceed 97% of any State School Aid payment to be made to or for the Academy which is dedicated for distribution or for which the appropriation authorizing such payment has been made under the State School Aid Act, subject to the 20% limitation stated below; and in such event pursuant to the State School Aid Act, the Authority is authorized, pursuant to the agreement of the Authorizing Body, to intercept and/or seek an advancement of 97% of the Pledged State Aid to be allocated or distributed to the Authorizing Body with respect to the Academy, subject to the 20% limitation stated below. The Trustee, on behalf of the Authority, shall immediately notify (or cause notice to be given to) the Academy and the Authorizing Body that it will immediately commence to intercept and/or receive an advancement of the Pledged State Aid and beginning immediately the Authority shall intercept 97% of the Pledged State Aid to be distributed to the Authorizing Body with respect to the Academy. Notwithstanding

the foregoing, however, the amount to be applied by the Trustee to Bond Payments and Reserve Fund Payments hereunder and any other debt service payments on other long-term obligations of the Academy in any Fiscal Year shall not exceed 20% of the amount of State School Aid payable to the Academy by the State in such Fiscal Year.

The intercepted and/or advanced amount shall be applied on the following priority basis: (i) the amount required to pay the Bond Payment and Additional Payment, if any, when due shall be held by the Trustee for such purpose; (ii) any other amounts owing to the Authority under the Financing Agreement; (iii) an amount equal to the Scheduled Fee Payment Component will be retained by the Trustee as provided under the Indenture; (iv) any amounts required to be credited to the Repair and Replacement Fund by the Trustee as provided in the Indenture; and (v) to the extent in excess of the amounts required under (i) through (iv) above, any amounts remaining to be immediately distributed to or at the direction of the Academy.

If for any reason the amount held by the Trustee on the due date of any Bond Payment or Additional Payment is insufficient to pay the Bond Payment or Additional Payment due under the Financing Agreement, then in that event the Academy covenants and agrees to use any and all other available funds to satisfy such Bond Payment or Additional Payment obligation.

### **State School Aid Source**

The primary source of revenue received by the Academy is State School Aid, which is a per-pupil foundation allowance provided by the State for all public schools (including public school academies). The amount of State School Aid received by any individual public school (including the Academy) is based upon its per-pupil enrollment. The amount of State School Aid available in any year to pay the per-pupil allowance is subject to appropriation by the Michigan Legislature.

See “APPENDIX A – HURON ACADEMY – STATE SCHOOL AID PAYMENTS” for the Academy’s State School Aid per-pupil foundation allowance for the 2018-19 through 2024-25 fiscal years.

Pursuant to the State School Aid Act, a public school annual entitlement to State School Aid for any fiscal year will be paid in installments equal to one-eleventh of such entitlement on the 20<sup>th</sup> (or if the 20<sup>th</sup> falls on a Saturday, Sunday or legal holiday, on the immediately succeeding regular business day) in each of the months of October through August, subject to certain statutory adjustments.

### ***Pupil Membership Counts***

State School Aid is paid to a public school on a per-pupil basis. The State School Aid Act provides that pupil membership is based on a blended count of 90% of the current October pupil count plus 10% of the preceding February supplemental count, all as determined by the Michigan Department of Education (“MDE”).

The State School Aid Act contains alternative methodologies for determining pupil counts for public school academies which have been in existence less than two years or which have suspended operations for one or more semesters, neither of which is applicable to the Academy. For school districts, including public school academies, which have pupils enrolled in a grade level that was not offered the prior year, pupil membership counts for that grade level are based on an average of the current October count and the following February supplemental count, all as determined by the MDE.

### ***State School Aid Entitlement***

In order to receive its full per-pupil State School Aid entitlement, Section 101 of the School Aid Act (MCL §388.1701) provides that a public school must provide each pupil with a minimum number of days and a minimum number of hours of pupil instruction in each school year.

Under Section 101 a public school is required to provide at least 180 days and at least 1,098 hours of pupil instruction during a given school year. If a public school does not provide the minimum number of days or hours of pupil instruction for a school year, its State School Aid will be prorated based on the actual number of days and hours of pupil instruction provided. A closure of a school prior to the attainment of these day and hour requirements could therefore also cause a reduction in the projected State School Aid to be received for a school year.

The State School Aid Act also provides that a public school enrolling a student transferring from another Michigan public school after the October pupil count date and before the following February supplemental pupil count is entitled to receive a pro rata portion of the State School Aid for the transferring student based on the number of days remaining in the school year. Accordingly the public school from which the student transferred would lose the amount of the State School Aid for the transferring student based on the number of days remaining in the school year.

### ***Legislative Changes in the State School Aid Act***

The State School Aid Act may be modified by the Michigan Legislature, subject only to certain State constitutional parameters. The amount, timing and methodology for calculation of State School Aid have changed significantly in recent years. State Aid Agreement Payments are subject to annual appropriation and future modification by the Michigan Legislature, subject only to such constitutional parameters. See “RISK FACTORS – Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation,” “– Delay in, Reduction or Termination of State School Aid,” “– Recent and Future Changes to Charter School Laws,” and “– Legislative and Non-Appropriation Risk” herein.

### ***Changes in State School Aid Distributions***

State Aid Agreement Payments are subject to reduction, and have been reduced, in the event there are insufficient funds to support an enacted State School Aid Fund budget. Under the State’s Constitution and State law, the State is required to maintain a balanced budget for any fiscal year.

See “RISK FACTORS” herein, including “Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation,” “Delay in, Reduction or Termination of State School Aid,” “Recent and Future Changes to Charter School Laws,” and “Legislative and Non-appropriation Risk” herein.

### **The Project Fund**

The Indenture establishes a Project Fund. Certain proceeds of the Series 2024 Bonds will be delivered to the Trustee for deposit into the Project Fund. Moneys in the Project Fund will be expended and disbursed to pay costs of the Project, in accordance with the provisions of the Financing Agreement.

### **The Bond Fund**

The Indenture establishes a Bond Fund, and within the Bond Fund are established a Revenue Account and a State Aid Intercept Account. In the State Aid Intercept Account will be deposited all



Academy Repayments under the Municipal Obligation and the Financing Agreement consisting of Scheduled Bond Payments (as defined in the Financing Agreement) and Additional Payments (including Reserve Fund Payments) which are made pursuant to the State Aid Agreement. In the Revenue Account will be deposited (a) all Academy Repayments under the Municipal Obligation and the Financing Agreement other than Scheduled Bond Payments, including all proceeds resulting from the enforcement of the security or its realization as collateral; (b) Investment Income; and (c) all other moneys received by the Trustee under the Financing Agreement for deposit in the Revenue Account of the Bond Fund.

### **The Reserve Fund**

The Indenture establishes a Reserve Fund, and within the Reserve Fund are established the Academy Funded Reserve Account and the Authority Funded Reserve Account. On the Issue Date, the Academy Funded Reserve Account is to be funded with Series 2024 Bond proceeds in the amount of \$340,000\* and the Authority Funded Reserve Account is to be funded with funds received by the Authority under Section 16 of Act 227, Public Acts of Michigan, 1985, as amended, which the Authority has previously determined may be used to provide credit enhancement support for certain bonds authorized by the Authority (“Appropriated Funds”) in the amount of \$500,000\*.

“Appropriated Funds” means appropriated, accepted, and obligated funds received by the Authority under Section 16 of Act 227, Public Acts of Michigan, 1985, as amended, which the Authority has previously determined may be used to provide credit enhancement support for certain bonds authorized by the Authority.

If at any time there are not sufficient funds in the Bond Fund for the payment of principal of, premium, if any, and interest on the Series 2024 Bonds as the same become due and during the continuance of an Event of Default (as described in the Indenture), the Trustee will withdraw from the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal, premium, if any, and interest then due on the Series 2024 Bonds.

Pursuant to the Financing Agreement, if any withdrawal is made from the Reserve Fund to cure any deficiency in the Bond Fund with respect to the Series 2024 Bonds, the Academy will pay to the Trustee for deposit into the Reserve Fund, on each Payment Date commencing with the first Payment Date following such withdrawal, an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement in eleven (11) consecutive equal installments or such other number of equal installments as the Trustee shall determine necessary to restore the Reserve Fund to the Reserve Fund Requirement by the next Bond Payment Date.

If on any Bond Payment Date, the value of the Reserve Fund is less than the Reserve Fund Requirement, the Academy will pay to the Trustee for deposit into the Reserve Fund on each Payment Date, commencing on the first Payment Date following such Bond Payment Date, an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement in immediately payable funds (such payments being “Reserve Fund Payments”). Notwithstanding the foregoing, if there are sufficient funds in the State Aid Intercept Account of the Bond Fund to replenish any deficiency in the Reserve Fund (after taking into consideration the priority of payments set forth in the Indenture), then the obligation to make Reserve Fund Payments in an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement shall be accelerated, and the Trustee shall transfer funds from the State Aid Intercept Account into the Reserve Fund to satisfy all outstanding Reserve Fund Payment Requirements in accordance with the Indenture.

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\* Preliminary, subject to change.

## **Repair and Replacement Fund**

A Repair and Replacement Fund with respect to the Series 2024 Bonds is established by the Trustee under the Indenture. All money at any time deposited in the Repair and Replacement Fund will be held by the Trustee in trust for the Academy and neither the Trustee nor any Owner (as defined in the Indenture) shall have any rights in or claims to such money.

On each Payment Date, the Academy will pay to the Trustee for deposit to the Repair and Replacement Fund the amount of \$1,818, provided that the maximum amount the Academy will be required to deposit each Fiscal Year will not be more than \$20,000. Additionally, there will be deposited into the Repair and Replacement Fund all other moneys required to be deposited into the Repair and Replacement Fund pursuant to the Financing Agreement and the Indenture. Any amounts on deposit in the Repair and Replacement Fund in excess of the Repair and Replacement Fund Requirement (\$200,000, or such higher amount as may be required by the Capital Needs Assessment, subject to the payment requirement limitations in the Financing Agreement and distribution limitations in the Indenture) will be transferred by the Trustee to the Academy; provided, however, that the amount remaining in the Repair and Replacement Fund immediately after such transfer will not be less than the Repair and Replacement Fund Requirement.

The Repair and Replacement Fund will be used for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the Utica Road Facilities in sound condition, including but not limited to replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment, architectural, engineering, legal and other professional services and other costs reasonably necessary and incidental thereto.

## **The Mortgage and the Environmental Report**

Pursuant to the Mortgage, the Academy will grant the Trustee a first priority mortgage lien on the Utica Road Facilities to secure the Series 2024 Bonds. The Academy's Sterling Heights Facilities are not part of the Mortgage and do not secure the Series 2024 Bonds.

Under the State School Aid Act, property of a public school academy that was acquired substantially with funds appropriated under the State School Aid Act is required to be transferred to the State by the public school academy in certain events, including revocation of its charter or if its charter has not been reissued by the applicable authorizing body. In such event, the State School Aid Act authorizes the State Treasurer to sell such property and requires the State Treasurer to apply the net proceeds from such sale first to pay any debt of the public school academy secured by such property and second, to deposit any remaining amount into the State School Aid Fund. See "RISK FACTORS – Termination, Revocation or Non-Renewal of Charter."

There are potential risks relating to environmental liability associated with ownership of or secured lending with respect to real property. The Academy has obtained environmental reports regarding the Utica Road Facilities. See "RISK FACTORS – Environmental Regulation" for a description of the environmental reports.

## **Limited Obligation**

Neither the Authority nor the State of Michigan nor the Authorizing Body shall be obligated to pay the Series 2024 Bonds or the interest thereon or other costs incident thereto, except that the Authority shall be obligated to make such payments solely from the security for the Series 2024 Bonds described below. See "APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT." Neither the faith and credit of the Authority nor the Authorizing Body nor the taxing power of the State of

Michigan is pledged to the payment of the principal of, premium, if any, or the interest on, the Series 2024 Bonds. The Series 2024 Bonds are not general obligations of the Authority, but are limited obligations payable solely from certain amounts payable by the Academy under the Financing Agreement and other moneys pledged therefor under the Indenture. The Authority has no taxing power.

## **OPERATING COVENANTS**

### **Operating Reserve Balance Covenant**

Pursuant to the terms of the Financing Agreement, the Academy covenants and agrees to maintain an unrestricted Cash on Hand (as defined in the Financing Agreement) in its operation fund equal to or greater than 45 Days Cash on Hand (the “Cash on Hand Requirement”). “Days Cash on Hand” means: (a) Cash on Hand of the Academy, as shown on the financial statements at the end of each Fiscal Year divided by; (b) the quotient of Operating Expenses, as shown on the financial statements for such Fiscal Year, divided by 365.

The Cash on Hand Requirement will be tested on June 30 of each year, commencing June 30, 2025. The Academy will provide the Trustee with a Certification no later than the earlier of: (i) December 1; or (ii) three weeks after the completion of the Academy’s audit for each Fiscal Year that the Cash on Hand Requirement has been met. Amounts constituting Cash on Hand may be used to pay Operating Expenses or may be used for any other lawful purpose.

If the Cash on Hand for any testing date is less than the Cash on Hand Requirement, then, upon the written direction of a majority of the Bondholders obtained in accordance with procedures outlined in the Financing Agreement, the Academy will promptly employ a Management Consultant to review and analyze the operations and administration of the Academy and inspect the Utica Road Facilities.

“Cash on Hand” means the sum of cash, cash equivalents, liquid investments, unrestricted marketable securities, plus 50% of bona fide receivables from the State of Michigan present on the Academy’s balance sheet, not including the Reserve Fund (valued at the lower of cost or market) of the Academy.

See “APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT – THE FINANCING AGREEMENT – FURTHER OBLIGATIONS OF THE ACADEMY – Operating Reserve Balance Covenant.”

### **Days Cash on Hand and Debt Service Coverage Ratio Covenants**

The Academy covenants and agrees to comply with either of the following covenants: (a) maintain sixty (60) Days Cash on Hand and Net Income Available for Debt Service in each Fiscal Year, commencing with the Fiscal Year ending June 30, 2025, that will be at least one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year; or (b) if the Academy maintains fewer than sixty (60) Days Cash on Hand, then the Academy will maintain a Net Income Available for Debt Service in each Fiscal Year, commencing with the Fiscal Year ending June 30, 2025, that will be at least one hundred ten percent (110%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year. All determinations required pursuant to this section shall be made utilizing the Academy’s audited financial statements for the appropriate Fiscal Year.

If (i) the Academy does not maintain sixty (60) Days Cash on Hand and the Net Income Available for Debt Service for any Fiscal Year ending on or after June 30, 2025, is less than one hundred ten percent (110%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year, or (ii) the Academy is maintaining sixty (60) Days Cash on Hand, but the Net Income Available for Debt

Service for any Fiscal Year ending on or after June 30, 2025, is less than one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year; then, upon the written direction of a majority of the Bondholders obtained in accordance with the procedures outlined in the Financing Agreement, the Academy will promptly employ a Management Consultant to review and analyze the operations and administration of the Academy.

Notwithstanding the immediately preceding paragraph, if the Net Income Available for Debt Service as of the end of any Fiscal Year commencing with the Fiscal Year ending June 30, 2025 is less than one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness for such Fiscal Year (as evidenced by the Academy's audited financial statements for such Fiscal Year), then if the Trustee has not previously sent the request to the Bondholders with respect to a Hiring Direction (as described in the Financing Agreement), then the Trustee will not be required to send such notice but will instead notify the Bondholders that based on the fact that the Academy's Net Income Available for Debt Service as of the end of any Fiscal Year commencing with the Fiscal Year ending June 30, 2025 is less than one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness for such Fiscal Year a majority of the Bondholders may either: (x) direct the Trustee to declare an Event of Default; or (y) direct the Trustee to exercise one or more of the remedies permitted under the Financing Agreement and the Indenture and request the Bondholders provide the Trustee with a direction as to whether or not to take either of such actions.

See "APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT – THE FINANCING AGREEMENT – FURTHER OBLIGATIONS OF THE ACADEMY – Days Cash on Hand and Debt Service Coverage Ratio Covenants."

### **Academic Performance**

The Academy covenants and agrees that, beginning with the 2024-25 school year and each year thereafter, it will maintain its academic performance so as not to be designated as a Comprehensive Support and Improvement School ("CSI School") or Targeted Support and Improvement School ("TSI School") determined under the ESSA Plan. For a further discussion of CSI and TSI Schools, see "APPENDIX A – HURON ACADEMY – ACADEMIC PERFORMANCE AND ACCOUNTABILITY – Academic Performance and the Accountability System under ESSA – Michigan School Index System" and "– Academic Performance and the Accountability System under State Law – Performance and Adequate Achievement Standards." If the State discontinues its use of the current academic accountability measurements and standards, the Academy covenants to maintain academic performance comparable to the current standards.

In the event the Academy is designated as a TSI School for two (2) consecutive school years or as a CSI School, the Academy will promptly employ, at its sole expense, an Educational Consultant (as defined in the Financing Agreement) to review and analyze the instructional program and curriculum of the Academy, and submit to the Academy and the Trustee a compliance plan wherein the Educational Consultant and the Academy will create benchmarks to assist the Academy so that it is not designated as a CSI or TSI School. The Academy agrees to consider all reasonable recommendations by the Educational Consultant and, to the fullest extent practicable, to adopt and carry out such recommendations.

The Academy will not be required to consider any recommendations by the Educational Consultant that would conflict with an agreement with MDE under the Partnership Program, or the terms of a Plan of Correction under the Charter. See "APPENDIX A – HURON ACADEMY – ACADEMIC PERFORMANCE AND ACCOUNTABILITY – MDE Partnership Program for CSI Schools" and "APPENDIX A – HURON ACADEMY – THE CHARTER AGREEMENT."

The Trustee has no duty or obligation to monitor the Academy's compliance with any recommendations and the Trustee's sole responsibility is to forward such recommendations to the Bondholders. Prior to hiring such Educational Consultant, the Academy shall provide the Trustee with a brief written description of its proposed Educational Consultant. Within three (3) Business Days of receipt, the Trustee shall provide a copy of such description to the Bondholders and notify Bondholders that if they have any objections to the hiring of such Educational Consultant they must notify the Trustee in writing within 20 Business Days or they will be deemed to have accepted the hiring of such Educational Consultant by the Academy. The Trustee shall notify the Academy whether or not the Trustee receives any objections. In the event such Educational Consultant is objected to by a Majority Bondholder, the Academy shall promptly choose another Educational Consultant and the same process shall be followed. The Trustee shall certify to the Academy the results of each Bondholder consent process.

See "APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT – THE FINANCING AGREEMENT – FURTHER OBLIGATIONS OF THE ACADEMY – Academic Performance."

### **Consolidation, Merger, Sale or Conveyance**

The Academy agrees that during the term of the Financing Agreement it will not merge or consolidate with any other entity, or sell or convey its interest in the Utica Road Facilities except as otherwise permitted in the Financing Agreement. Prior to any merger or consolidation, the Academy must demonstrate that, while taking into account the merger or consolidation, it meets either of the tests for the incurrence of Long-Term Indebtedness set forth in the Financing Agreement.

### **Capital Needs Assessment**

The Academy agrees to prepare and deliver to the Trustee, on or before June 30, 2030, and on every fifth anniversary thereafter, a needs assessment for the ensuing five-year period with respect to the Utica Road Facilities (the "Capital Needs Assessment"). The Capital Needs Assessment will include the projected costs of the required capital expenditures for such period identified in the Capital Needs Assessment. The Academy agrees to budget for and complete any capital repairs relating to the Utica Road Facilities identified by the Capital Needs Assessment. If funds on hand in the Repair and Replacement Fund are not sufficient to meet the capital needs set forth in the Capital Needs Assessment, the Academy will budget for such capital needs such that the capital needs can be met within the five-year period covered by the Capital Needs Assessment. The monthly deposit to the Repair and Replacement Fund will be increased to an amount sufficient to cover the five-year period covered by the Capital Needs Assessment. The Trustee has no duty or obligation to review the Capital Needs Assessments and will receive such reports solely as repository on behalf of the Bondholders. The Trustee's receipt of the foregoing will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Academy's compliance with any of its covenants herein or in any other transaction document.

See "APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT – THE FINANCING AGREEMENT – FURTHER OBLIGATIONS OF THE ACADEMY – Capital Needs Assessment."

### **LIMITATION ON ADDITIONAL BONDS AND ADDITIONAL INDEBTEDNESS**

The Authority reserves the right to issue Additional Bonds, upon the request of the Academy with such approvals as required by the Enabling Legislation, without limit in one or more series for the acquisition, construction, expansion, equipping, and/or renovation of facilities to be used by the Academy and for such other purposes set forth in, and subject to the requirements, of the Indenture. Additional Bonds

shall be of the same priority as the Series 2024 Bonds and all Bonds issued under the Indenture shall be equally and ratably payable from and secured, but the Additional Bonds shall bear such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Authority and the Academy. No Additional Bonds shall be issued unless the conditions set forth in the Indenture are met.

In addition to Additional Bonds issued under the Indenture, pursuant to the Financing Agreement, the Academy:

- (i) may incur additional Indebtedness (both Short-Term Indebtedness and Long-Term Indebtedness) ratably payable from and secured by the Pledged State Aid provided that in no event shall the aggregate principal amount of all additional Indebtedness secured by the Pledged State Aid outstanding at any time exceed 3% of the Academy’s Gross Revenues for the last preceding Fiscal Year for which audited financial statements have been prepared;
- (ii) may issue additional bonds (“Academy Bonds”) in one or more series, for the acquisition, construction, expansion, equipping, furnishing and/or renovation of facilities to be used by the Academy and for such other purposes set forth in, and subject to the terms and requirements, of the Financing Agreement; and
- (iii) may issue Additional Indebtedness on a subordinate basis to the Series 2024 Bonds, Additional Bonds and/or Academy Bonds, subject to the limitations set forth in the Financing Agreement.

## **PUBLIC SCHOOL ACADEMIES IN MICHIGAN**

### **General**

In December of 1993, Michigan became the ninth state to pass charter school legislation. The current charter school statute is codified in Part 6A of the Revised School Code, MCL 380.501 – 380.507. In Michigan, charter schools are known as public school academies, cyber schools, strict discipline academies, urban high school academies, or schools of excellence. Public school academies, cyber schools, strict discipline academies, urban high school academies, and schools of excellence are state-supported public schools that are funded through the State School Aid Act, Act 94, Public Acts of Michigan, 1979, as amended, MCL, 388.1601, *et seq.*) and receive funding through a per pupil based foundation allowance. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS – State School Aid Source” herein.

As of July 26, 2024, there were 367 public school academies (which include strict discipline academies, urban high schools, cyber schools and schools of excellence) operating in Michigan.\* These public school academies are authorized as follows: 266 by public universities, 45 by intermediate school districts or local education agencies, and 56 by community colleges.† These public school academies serve more than 150,000 students,‡ or approximately 10% of the State’s kindergarten through 12th grade population. From 1995 through June 30, 2024, 261 public school academies have been closed. See “RISK FACTORS – Termination, Revocation or Non-Renewal of Charter,” “– Authorizing Body Certificate

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\* <https://cepi.state.mi.us/eem/reports.aspx>. Legislation enacted in 2009 provides that certain public school academies may apply to operate as a cyber-school and that certain high-performing public school academies may apply to be designated as a “school of excellence.”

† <https://cepi.state.mi.us/eem/PublicDatasets.aspx>.

‡ <https://www.charterschools.org/about-michigan-charter-schools/>

Condition to Issuance of the Series 2024 Bonds,” “– Recent Actions by Charter Authorizers,” and “– Recent and Future Changes to Charter School Laws” herein.

Currently, school boards, intermediate school boards, community colleges and state public universities can all be authorizers but are subject to compliance-review by the State Board of Education. The law does not restrict management contracts with Educational Service Providers (“ESPs”), although authorizers must review any agreements between an ESP and the public school academy, and an authorizer can disapprove of the agreement only if it is incompatible with applicable law. Additionally, there are conflict of interest restrictions intended to prevent relationships between academies, boards and providers.

Public school academies may operate the same grade configurations at multiple sites, and, effective January 1, 2015, the only remaining caps to the number of public school academies that may be operated by a given authorizer are those relating to “schools of excellence.”

Traditional public school law generally governs public school academies. Waivers may be requested for sections of law or rule where the State Superintendent of Public Instruction has legal authority to grant such a waiver. Collective bargaining, however, is not governed by traditional public school law; a 2012 amendment to the law eliminated a provision, applicable to certain public school academies, requiring employees of a public school academy—employed in similar classifications as those in the school district—be covered by the respective collective bargaining agreement(s) applicable in the school district. Public school academy teachers may negotiate as a separate unit with the public school academy, governing body or work independently. However, employees hired by a public school academy board are required to participate in the state retirement system; there is no such requirement for employees of a management company working at a public school academy. For more information on public school academy laws, see “APPENDIX E – SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO PUBLIC SCHOOL ACADEMIES” herein.

### **State Aid Payments**

Public school academies, which have no taxing authority, receive the majority of their funding from State Aid Payments, which are derived from a mix of funding sources, including, but not limited to, a Statewide property tax of 6 mills on all taxable property, a State sales and use tax, a real estate transfer tax and a cigarette tax. Since 1994, the Legislature has historically appropriated funds to establish a per pupil foundation allowance based on projected State revenues as part of the State’s budgeting process. The Academy’s per-pupil allowance for the 2018-19 through 2024-25 fiscal years are shown under “APPENDIX A – HURON ACADEMY – STATE AID PAYMENTS.”

State Aid Payments appropriations and the payment schedule for State Aid Payments can be changed by the Legislature at any time. The State’s finances are also being adversely affected by the continued spread of COVID-19, which is likely to affect the amount of State School Aid appropriated to public schools, including the Academy. See “RISK FACTORS – Delay in, Reduction or Termination of State School Aid Payments” herein.

### **Potential Elimination of Grades or Revocation of Charter for Lowest Achieving Public Schools**

Section 507 of the Revised School Code (MCL §380.507) provides that MDE must notify the authorizing body if an academy site, that has been operating for at least four (4) years, is among the lowest achieving public schools in the State (i.e. a school designated as a CSI School determined under either the State’s Every Student Succeeds Act accountability plan (the “ESSA Plan”) for the immediately preceding three (3) school years. Upon receiving such notice from MDE, the authorizing body is required to notify the academy and amend the academy’s charter to eliminate the academy’s authority to operate the existing age and grade levels at the site, effective at the end of the current school year. If the academy operates at

only one site the authorizing body shall notify the academy and revoke the academy’s charter, effective at the end of the current school year.

The academy’s development of a plan of correction under the charter or its participation in the MDE Partnership Program does not in any way limit the rights and duties of the authorizing body to eliminate a site or revoke the charter under the above-described State law.

Section 507 further provides that if the academy is subject to a notice to close a site or revoke the charter, MDE is required to consider other public school options available to pupils in the grade levels offered by the academy at the site who reside in the geographic area served by the academy at the site. If MDE determines that closure of the academy or site would result in an unreasonable hardship to these pupils because there are insufficient other public school options reasonably available for these pupils, MDE may rescind the notice. Section 507 also provides that before the authorizing body eliminates a site or revokes the charter it may consider and take corrective measures to avoid revocation. The authorizing body may reconstitute the academy in a final attempt to improve student educational performance or to avoid interruption of the educational process.

See “APPENDIX A – HURON ACADEMY – ACADEMIC PERFORMANCE AND ACCOUNTABILITY.”

### **ACADEMY INFORMATION REPORTING REQUIREMENTS**

The Academy covenants that promptly, but not later than one hundred fifty (150) days after the close of each Fiscal Year, it will file with the Authority and the Trustee, in such quantity as the Authority may require, its audited financial statements for such Fiscal Year reflecting in reasonable detail the financial position and results of operation of the Academy, together with the audit report by a certified public accountant or firm of independent certified public accountants of suitable experience and responsibility. The Trustee will have no duty to review or analyze such financial statements and will hold such financial statements solely as a repository for the benefit of the Bondholders. The Trustee will not be deemed to have notice of any information contained therein or deemed to have notice of an event of default which may be disclosed therein in any manner.

The Academy further covenants and agrees that it will promptly file with the Authority a copy of all documentation, materials and notices filed by or on behalf of the Academy pursuant to or in connection with any continuing disclosure undertaking relating to the Series 2024 Bonds or other debt incurred by or for the benefit of the Academy. See “CONTINUING DISCLOSURE” below and “APPENDIX I – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

In addition, the Academy covenants to provide the Trustee the following: (a) unaudited quarterly financial statements when required under their Charter or within forty-five (45) days of the quarter end if not required to be reported under the Charter; and (b) the results of any tests required by federal or State testing authorities within thirty (30) days of receipt by the Academy; and (c) any notice received from the Authorizing Body regarding compliance or non-compliance with the terms of the Charter.

### **RISK FACTORS**

The following discussion of some of the risk factors associated with the Series 2024 Bonds is not, and is not intended to be, exhaustive, and such risks are not necessarily presented in the order of their magnitude.

This Official Statement does not describe all of the risks of an investment in the Series 2024 Bonds and Raymond James & Associates, Inc., as underwriter (the “Underwriter”) disclaims any responsibility to



advise prospective investors of such risks as they exist at the date of this Official Statement or as they change from time to time. Prospective investors should consult their own legal and tax advisors as to the risks entailed by an investment in the Series 2024 Bonds and the suitability of investing in the Series 2024 Bonds in light of their particular circumstances. Prospective investors should be able to bear the risks relating to an investment in the Series 2024 Bonds and should carefully consider, among other factors, the matters described below.

### **Speculative Investment**

Purchase of the Series 2024 Bonds involves a high degree of risk, and the Series 2024 Bonds are a speculative investment. Any investor who, because of financial condition, is unable to bear the loss of an investment in the Series 2024 Bonds, or who, because of investment policies or otherwise, does not desire to assume, or have the ability to bear, the risks inherent with an investment in the Series 2024 Bonds, should not purchase the Series 2024 Bonds. See also “RISK FACTORS – Sufficiency of Revenues” below. The Series 2024 Bonds are not rated. See “NO RATING” and “RISK FACTORS – Absence of Rating.”

The Series 2024 Bonds may exhibit price fluctuations due to the changes in interest rate or bond yield levels. As a result, the value of the Series 2024 Bonds may fluctuate significantly in the short-term. Further, such securities have a less liquid resale market. As a result, potential investors may have difficulty selling or disposing of the Series 2024 Bonds quickly in certain markets or market conditions. There can be no assurance that there will be a secondary market for the Series 2024 Bonds.

### **Sufficiency of Revenues**

The Series 2024 Bonds are secured by and payable solely from revenues of the Academy pledged under the terms and conditions of the Financing Agreement and as otherwise described therein. Based on present circumstances (i.e., its Charter and operating history), the Academy believes it will generate sufficient revenues to meet its obligations under the Financing Agreement. However, the Academy’s Charter may be terminated or not renewed or the basis of the assumptions utilized by the Academy to formulate this belief may otherwise change and no representation or assurance can be made that the Academy will continue to generate sufficient revenues to meet its obligations.

If actual student enrollment is lower than projected, there will be commensurate reductions in State School Aid payable to the Academy, which will have an adverse effect on the financial condition of the Academy, including on its ability to pay debt service on the Series 2024 Bonds. See “APPENDIX A – HURON ACADEMY – ENROLLMENT,” “– HISTORICAL REVENUES AND EXPENSES,” and “APPENDIX B – FINANCIAL PROJECTION,” “APPENDIX C – FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (DRAFT) AND AUDITED FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022.”

### **Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation**

The Academy may not charge tuition and has no taxing authority. The primary source of revenue received by the Academy is the per pupil foundation allowance provided by the State for all public schools (including public school academies). The amount of State School Aid received by any individual school (including the Academy) is based upon its per pupil enrollment. The amount of State School Aid available in any year to pay the per pupil allowance is subject to appropriation by the Michigan Legislature. The Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, to enable the Academy to pay debt service on the Series 2024 Bonds and to meet its general operating expenses. Similarly, the State allocation per student could be reduced or not keep pace with expenses such that the aggregate State School Aid payments to the Academy are inadequate to allow the Academy to pay its

operating expenses and debt service on the Series 2024 Bonds. No liability shall accrue to the State in such event, and the State will not be obligated or liable for any future payments or any damages in such event. In the event the State were to withhold the payment of moneys from the Academy for any reason, even a reason that is ultimately determined to be invalid or unlawful, it is likely the Academy would be forced to cease operations.

### **Legislative and Non-appropriation Risk**

Even though the State is obligated under the Michigan Constitution to support public education in the State, the State is not obligated to continue to finance public education through State School Aid or continue to support public education via public school academies. Any change in the Michigan Constitution of 1963, the enabling legislation that created public school academies or failure by the Legislature of the State of Michigan to appropriate funds sufficient to fund the operation of public school academies could have a material adverse effect on the ability of the Academy to make payments under the Indenture coming due thereafter.

Further, the State is not required to continue supporting public education via public school academies at the same level as other public education. For example, in October of 2019, Governor Gretchen Whitmer used a line-item veto to eliminate the per-pupil funding increase for Michigan's charter school students. The Governor had previously agreed to a \$240-per-pupil increase for all students on the lowest end of the funding spectrum, which included the majority of traditional public school districts in the State, as well as all 294 charter schools in Michigan at the time. By her action, the Governor eliminated that per-pupil funding increase for charter schools, but kept it intact for traditional public schools. In December 2019, a supplemental budget passed that included the \$240 increase for charter schools in the 2019-20 fiscal year.

### **Delay in, Reduction or Termination of State School Aid Payments**

Any event that would cause a delay, reduction or elimination of State School Aid payments would have a material adverse effect on the ability of the Academy to make debt service payments on the Series 2024 Bonds. The Michigan Legislature is required to balance the State's budget and if it does not, the proration provisions of the School Aid Act become effective. The proration provisions essentially roll back the per pupil allowance. Section 11 of the School Aid Act states that if appropriations exceed the amount available for expenditure from the School Aid Fund in any given year, then the State must prorate certain payments to public schools in order to eliminate the shortfall. In previous fiscal years, the State has applied across-the-board cuts to eliminate shortfalls which have resulted in a reduction of the Academy's per pupil foundation allowance. No representation can be made that future fiscal periods will not be subject to similar budget shortfalls. Any reduction in State School Aid payments could have a material adverse effect on the ability of the Academy to make payments on the Series 2024 Bonds under the Financing Agreement.

### **Recent and Future Changes to Charter School Laws**

The School Aid Act is subject to modification by the Michigan Legislature, subject only to certain constitutional parameters. The amount, timing and methodology for calculation of State School Aid has changed significantly in recent years, and is subject to future legislative changes. See "APPENDIX E – SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO PUBLIC SCHOOL ACADEMIES" herein.

Future amendments to the law may adversely affect the Academy, for example, by reducing the maximum amount payable by the State for students enrolled by the Academy, by limiting the amount of such State School Aid payments that may be pledged to obligations such as the Series 2024 Bonds, by withholding a percentage of the State School Aid payments if a public school academy is deemed not to be

in compliance with its charter or State and federal laws, by decreasing the maximum length of a charter contract's term, by requiring a State body to make an assessment of each school's effectiveness every year, by limiting the number of students for which State funds are available, by mandating new facility or program requirements which may cost more than has been projected, by revising the relative responsibilities between public schools and the State for financing schools (including public school academies) or by eliminating the authority for public school academies.

### **Termination, Revocation or Non-Renewal of Charter**

The Academy is authorized under its Charter, issued by the Authorizing Body. Such Charter confirms the status of the Academy as a public school academy and provides for oversight of the Academy's compliance with all applicable State and federal laws pertaining to public school academies. The current Charter is a seven-year contract that was renewed effective July 1, 2023, and ends June 30, 2030, unless sooner terminated in accordance with the terms of the Charter, and will then be subject to further renewal. The Charter provides the basis for the Academy to receive State School Aid funds.

The Charter provides for the termination, suspension, and revocation thereof. The Charter provides that the Academy may terminate the Charter at any time for any reason by presenting to the Authorizing Body a certified resolution requesting termination, provided that unless otherwise agreed to by the Academy and the Authorizing Body, the Charter will terminate at the end of the school year in which such request for termination is made. Under the Indenture, the Academy covenants to maintain its existence as a public school academy under Michigan law so long as the Bonds are outstanding. The Authorizing Body has made no such covenant and could terminate the Charter at any time.

A list of grounds for terminating, suspending or revoking the Charter under the Michigan law and the Charter are included under "APPENDIX A – HURON ACADEMY – THE CHARTER AGREEMENT."

As a matter of Michigan law, decisions to renew or not renew the Academy's charter are in the sole discretion of the Authorizing Body. The Academy's Charter may be terminated, suspended or revoked by the Authorizing Body at any time prior to the expiration of the Charter term. On September 23, 1997, the Attorney General of Michigan issued a formal opinion that an authorizing body's decision to revoke a charter or decline to renew a charter for the operation of a public school academy is not subject to judicial review under State law.

**IN THE EVENT THAT THE AUTHORIZING BODY TERMINATES, REVOKES, SUSPENDS OR DOES NOT RENEW THE ACADEMY'S CHARTER, OR IF THE ACADEMY IS UNABLE TO SECURE CHARTER APPROVAL BY ANOTHER AUTHORIZING BODY, THE ABILITY OF THE ACADEMY TO MAKE PAYMENTS UNDER THE INDENTURE COMING DUE THEREAFTER WOULD BE MATERIALLY ADVERSELY AFFECTED.**

Pursuant to Section 18b of the State School Aid Act, in the event that the Academy: (i) is ineligible to receive funding under the State School Aid Act for 18 consecutive months; (ii) the Academy's Charter is revoked; or (iii) the Academy's Charter is not reissued by the Authorizing Body, then property, including title to such property, acquired substantially with funds received from the State pursuant to the State School Aid Act is required to be transferred to the State. The State Treasurer, or his or her designee, is authorized to dispose of property transferred to the State pursuant to Section 18b of the State School Aid Act. Except as otherwise provided in Section 18b of the State School Aid Act, the State Treasurer shall deposit in the State School Aid Fund any money included in that property and the net proceeds from the sale of the property or interests in the property, after payment by the State Treasurer of a public school academy debt secured by the property or interest in the property.

See “RISK FACTORS – Authorizing Body Certificate Condition to Issuance of the Series 2024 Bonds,” “– Recent and Future Changes to Charter School Laws” and “– Recent Actions by Charter Authorizers” herein.

### **Potential Elimination of Grades or Revocation of Charter for Lowest Achieving Public Schools**

In addition to the statutory grounds for revocation of a charter set forth in the charter, Section 507 of the Revised School Code (MCL §380.507) provides that MDE must notify the authorizing body if an academy site, that has been operating for at least four (4) years, is among the lowest achieving public schools in the State (i.e. a school designated as a CSI School determined under either the ESSA Plan for the immediately preceding three (3) school years. Upon receiving such notice from MDE, the authorizing body is required to notify the academy and amend the academy’s charter to eliminate the academy’s authority to operate the existing age and grade levels at the site, effective at the end of the current school year. If the academy operates at only one site the authorizing body shall notify the academy and revoke the academy’s charter, effective at the end of the current school year.

The academy’s development of a plan of correction under the charter or its participation in the MDE Partnership Program does not in any way limit the rights and duties of the authorizing body to eliminate a site or revoke the charter under the above-described State law.

Section 507 further provides that if the academy is subject to a notice to close a site or revoke the charter, MDE is required to consider other public school options available to pupils in the grade levels offered by the academy at the site who reside in the geographic area served by the academy at the site. If MDE determines that closure of the academy or site would result in an unreasonable hardship to these pupils because there are insufficient other public school options reasonably available for these pupils, MDE may rescind the notice. Section 507 also provides that before the authorizing body eliminates a site or revokes the charter it may consider and take corrective measures to avoid revocation. The authorizing body may reconstitute the academy in a final attempt to improve student educational performance or to avoid interruption of the educational process.

The Academy has not been designated as a CSI School, TSI School, or ATS School based on the Index System values. See “APPENDIX A – HURON ACADEMY – ACADEMIC PERFORMANCE AND ACCOUNTABILITY” herein.

### **Authorizing Body Certificate Condition to Issuance of the Series 2024 Bonds**

The Purchase Agreement (as defined under the heading “UNDERWRITING”) will require, as a condition to the delivery of and payment for the Series 2024 Bonds, that the Authorizing Body deliver a certificate expected to state: (a) that the Authorizing Body has issued the Academy a Charter and, (b) that, as of the date of the certificate, the Academy has not been placed on formal probationary status and the Authorizing Body has not notified the Academy of any proceeding by the Authorizing Body which the Authorizing Body is initiating to revoke, terminate or suspend the Academy’s Charter.

No assurance can be given that the Authorizing Body will not revoke, suspend, terminate or fail to renew the Academy’s Charter in the future, including based upon conditions existing prior to or as of the date of issuance of the Series 2024 Bond.

## **Recent Actions by Charter Authorizers**

As of July 26, 2024, there were 367 public school academies (which include strict discipline academies, urban high schools, cyber schools and schools of excellence) operating in Michigan.\* These public school academies are authorized as follows: 266 by public universities, 45 by intermediate school districts or local education agencies, and 56 by community colleges.† These public school academies serve more than 150,000 students,‡ or approximately 10% of the State’s kindergarten through 12th grade population. From 1995 through June 30, 2024, 261 public school academies have been closed. See “RISK FACTORS – Termination, Revocation or Non-Renewal of Charter,” “– Authorizing Body Certificate Condition to Issuance of the Series 2024 Bonds,” “– Recent Actions by Charter Authorizers,” and “– Recent and Future Changes to Charter School Laws” herein.

## **Economic and Other Factors**

Future economic and other factors may adversely affect the Academy’s revenues and expenses and, consequently, the Academy’s ability to make debt service payments under the Financing Agreement. Among the factors that could have such adverse effects are: decreases in the number of students seeking to attend the Academy at optimum levels for each grade level; the ability of the Academy to provide the education desired and accepted by the population served; economic developments in the affected service area; diminution of the Academy’s reputation in its field; competition from other educational institutions, including other public school academies, private schools and traditional public schools; lessened ability of the Academy to attract and retain qualified teachers and staff at salaries that permit payment of debt service and expenses; increased costs associated with technological advances; changes in government regulation of the education industry or in the Michigan law; future claims for accidents at the Academy’s sites and the extent of insurance coverage for such claims; decrease in per-student funding amounts by the State; and the occurrence of natural disasters such as floods and tornados.

## **Infectious Disease Outbreak**

An outbreak of a highly contagious, epidemic or pandemic infectious disease such as COVID-19, Zika or Ebola nationally or locally in the Academy’s area could adversely affect the Academy’s operations and financial results, including decreased enrollment, delay, reduction or elimination of State Aid Payments, and the cost or length of time necessary to complete the Project.

The Academy’s obligations under the Financing Agreement and the Municipal Obligation are a full faith and credit general obligation of the Academy. The principal of and interest on the Bonds are payable primarily from the Academy’s State Aid Payments received by the Trustee pursuant to the Indenture. The Academy cannot predict the effect a disease outbreak will have on its finances, operations or amount of State Aid Payments it may receive in the future from the State. Any event that would cause a delay, reduction or elimination of State Aid Payments would have a material adverse effect on the ability of the Academy to make debt service payments on the Series 2024 Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS,” “RISK FACTORS – Delay in, Reduction or Termination of State School Aid” and “APPENDIX A – HURON ACADEMY – STATE AID PAYMENTS” in this Official Statement.

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\* <https://cepi.state.mi.us/eem/reports.aspx>. Legislation enacted in 2009 provides that certain public school academies may apply to operate as a cyber-school and that certain high-performing public school academies may apply to be designated as a “school of excellence.”

† <https://cepi.state.mi.us/eem/PublicDatasets.aspx>.

‡ <https://www.charterschools.org/about-michigan-charter-schools/>

## Federal COVID-19 Relief Funds

To address the impact of COVID-19, in 2020 and 2021 Congress passed three stimulus bills providing nearly \$190.5 billion of financial support to public schools through the Elementary and Secondary Emergency Relief (“ESSER”) Fund. In March 2020, the CARES Act provided initial ESSER funding of approximately \$13.5 billion (“ESSER I Funds”). In December 2020, the Coronavirus Response and Relief Supplemental Appropriations (“CRRSA”) Act provided approximately \$54.3 billion of supplemental ESSER funding (“ESSER II Funds”) and in March 2021 the American Rescue Plan Act (“ARPA”) provided approximately \$122.7 billion of additional supplemental ESSER funding (“ESSER III Funds”).

The ESSER Funds have been allocated to each state and states are required to distribute at least 90% of the ESSER Funds to public schools based on their proportional share of Title I, Part A grant funding under the Elementary and Secondary Education Act (“ESEA”). States have the option to reserve 10% of the ESSER Funds for emergency needs as determined by the state to address issues responding to the COVID-19 pandemic.

Public schools have the flexibility to use the ESSER Funds for any activity authorized under ESEA, which includes assessments, instructional materials, educational technology (software and hardware), professional development, connectivity, teacher pay, summer school activities and measures to address student learning loss. ESSER II and III Funds may also be used for the repair and improvement to facilities to enable the schools to reduce the risk of virus transmission and exposure to environmental health hazards and support student health needs.

As required under Michigan law the State has appropriated 90% of its ESSER I, II and III Funds to the Michigan Department of Education (“MDE”) for distribution to public schools in proportion to each school’s share of Title I, Part A grant funding and the remaining 10% was appropriated to MDE to address emergency needs and various categorical spending areas which included summer programs, high school credit recovery, before and after school programs and benchmark assessments.\*

The appropriation of the ESSER II Funds also included additional funding from the State School Aid Fund for distribution to public schools whose per pupil allocation from the 90% portion of ESSER II Funds is less than \$450. This equalization payment ensures that each public school receives a minimum of \$450 per student from the ESSER II Funds, this additional State funding, or a combination of the two.†

The 2021-22 State School Aid Fund Budget also included an appropriation of additional funding from the State School Aid Fund for distribution to public schools whose per-pupil allocation from the 90% portion of ESSER III Funds is less than \$1,093. This equalization payment ensures that each public school receives a minimum of \$1,093 per student from the ESSER III Funds, this additional State funding, or a combination of the two.‡

The Academy was awarded \$167,356 of the ESSER I Funds, \$33,471 ESSER Equity, \$336,105 ESSER II part I, \$445,534 ESSER II part II, and \$1,755,451 of the ESSER III Funds.

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\* Act 67, Public Acts of Michigan, 2020; Act 3, Public Acts of Michigan, 2021;

† Act 47, Public Acts of Michigan, 2021. MCL §388.1611r

‡ Act 48, Public Acts of Michigan, 2021. MCL §388.1611t

## **Operating History; Reliance on and Nature of Projections**

The ability of the Academy to make debt service payments when due is dependent on State School Aid payments to be received by the Academy as payment for educating students. The Academy has conducted operations for over 20 years, beginning in the 1999-00 school year. The projections of revenues and expenses contained in “APPENDIX B – FINANCIAL PROJECTION” were prepared by the Academy and CSP with information provided by the Academy and CSP, and has not been independently reviewed or verified by any other party, other than Clear Scope Advisors, the Academy’s financial advisor. In particular, the Underwriter has not independently verified such projections, and makes no representations nor gives any assurances that such projections, nor the assumptions underlying them, are complete or correct. Further, the projections relate only to the fiscal years of the Academy ending June 30, 2025 through June 30, 2029, and consequently do not cover the entire period that the Series 2024 Bonds will be outstanding.

The projections are derived from the actual operation of the Academy and from the Academy’s and the CSP’s assumptions about future student enrollment and expenses. There can be no assurance that the actual enrollment revenues and expenses for the Academy will be consistent with the assumptions underlying the projections contained herein. Moreover, no guarantee can be made that the projections of revenues and expenses contained herein will correspond with the results actually achieved in the future because there is no assurance that actual events will correspond with the assumptions made by the Academy.

There are usually differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Actual operating results may be affected by many factors, including, but not limited to, increased costs, lower than anticipated revenues (as a result of insufficient enrollment, reduced State School Aid funds, or otherwise), employee relations, changes in taxes, changes in applicable government regulation, changes in demographic trends, changes in elementary and secondary education competition and changes in local or general economic conditions.

Prospective investors in the Series 2024 Bonds should read “APPENDIX B – FINANCIAL PROJECTION” in its entirety to review certain of the projections and to consider the various factors that could cause actual results to differ significantly from projected results.

**NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY THE ACADEMY. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE SCHOOL AID FUNDS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN ELEMENTARY AND SECONDARY EDUCATION COMPETITION AND LOCAL OR GENERAL ECONOMIC CONDITIONS.**

### **The Academy’s Operation as a Public School Academy**

The Academy is a body corporate and governmental agency formed under the laws of the State of Michigan. The Academy has limited assets other than its interest in the Utica Road Facilities and the Sterling Heights Facilities. No assurance can be given that the Academy will be able to operate as a public school academy in a manner that will generate sufficient revenues to meet the debt service requirements of the Series 2024 Bonds. A public school academy may not charge tuition to a student attending the academy.

Public school academies receive State funding on a per pupil basis to support their operations. See “PUBLIC SCHOOL ACADEMIES IN MICHIGAN” herein.

Since the Academy has limited assets other than its interest in the Utica Road Facilities and Sterling Heights Facilities (which Sterling Heights Facilities are not pledged as security for the Series 2024 Bonds), its failure to derive revenues sufficient to meet its obligations under the Financing Agreement would materially impair the Academy’s ability to make the Bond Payments or other payments under the Financing Agreement when due. If there is a shortfall in State School Aid that renders the Academy unable to pay the Bond Payments in full, the failure to make Bond Payments in full would constitute an event of default under the Financing Agreement. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS - The Financing Agreement” herein.

### **Assumptions Regarding Enrollment and State School Aid**

The projection contained in “APPENDIX B – FINANCIAL PROJECTION” (the “Projection”) contains information material to a decision to purchase the Series 2024 Bonds and should be read by potential investors in its entirety. The Projection contains: (a) projections of State School Aid and other sources of revenues, and foundation allowance; (b) projections of future student enrollment; (c) projections of expenditures; and (d) debt service requirements of the Obligations. The Projection sets forth a number of assumptions on which the Projection is based, including but not limited to, the projected enrollment of the Academy and the per student amounts to be paid by the State. Such assumptions are based on present circumstances and information currently available, which was furnished by CSP and the Academy, as well as other sources. Such information may be incomplete and may not necessarily disclose all material facts that might affect the Academy and the analysis contained in the Projection. Accordingly, prospective investors should carefully evaluate the assumptions and other information in the Projection in the light of the circumstances then prevailing. The Projection has been included herein in reliance upon the knowledge and experience of CSP in the management of public school academies. The accuracy of the Projection is dependent on the occurrence of specified assumptions and other future events, which cannot be assured, and therefore, the actual results achieved during the period will vary from those projected and those differences may be material and adverse. See “APPENDIX B – FINANCIAL PROJECTION.”

The Underwriter has not independently verified the statistical data included therein and makes no representations nor gives any assurances that such data are complete or correct. Further, the Underwriter makes no representations nor gives any assurances that the assumptions incorporated in the Projection are valid. The ability of the Academy to achieve and maintain on a continuing basis financially sustaining levels of enrollment at the Academy is subject to a number of factors. The ability of the Academy to attract students on a continuing basis will be dependent on many factors including, but not limited to, the physical condition of the Academy Facilities, the programs provided for students, and the supply of other traditional public schools, private schools and public school academies in the community in which the Academy Facilities are located. In addition, the Projection is only for the fiscal years ending June 30, 2025 through June 30, 2029, and consequently does not cover the entire period during which the Series 2024 Bonds may be outstanding.

Any event that would cause a delay, reduction or elimination of the State School Aid would have a material adverse effect on the ability of the Academy to make payments due under the Indenture. See “RISK FACTORS – Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation;” “– Delay in, Reduction or Termination of State School Aid Payments;” and “– Legislative and Non-Appropriation Risk” herein.



## **Existing and Prospective Operations Generally**

The revenues and expenses associated with the existing and prospective operations of the Academy will be affected by future events and conditions relating generally to, among other things, demand in the Academy's service area for educational services, the ability of the Academy to continue to provide the kinds of facilities and educational services desired or required by the student population, economic developments in the affected service area, competition from existing or future facilities and providers, the ability of the Academy to maintain high enrollment levels in the Academy Facilities and the ability to continue to receive State School Aid sufficient for the payment of all related costs of operation.

The Academy is a public school academy and unlike traditional public schools, does not have an existing base of constituents from which pupils are drawn.

The Academy began operations as a public school academy in September 1999 and enrolled approximately 113 students in grades K-3. In the 2000-01 school year, the Academy expanded the number of grades served to include grades K-5 and served approximately 269 students. By the 2017-18 school year, the Academy served approximately 633 students in grades K-8. The Academy began offering a tuition-based pre-kindergarten ("PreK") program in the 2015-16 school year.

As of the first Wednesday in October of each school year (the "Fall Count Date"), in grades K-8, the Academy enrolled 632 students in the 2020-21 school year, 624 students in the 2021-22 school year, 644 students in the 2022-23 school year, and 661 students in the 2023-24 school year. As of September 24, 2024, the Academy enrolled 681 students in grades K-8. In addition to the K-8 enrollment, the PreK Program enrolled 29 students as of such date.

The Academy will have to attract and maintain a large student population to generate revenue to pay operating costs and debt service. State School Aid received by the Academy from the State of Michigan is allocated on a per pupil basis. The Academy is subject to competition from other schools in its service area providing similar or comparable services and no assurance can be given that the Academy will be able to attract and maintain students adequate in number to provide sufficient revenues to pay amounts due under the Financing Agreement. There are competing traditional public schools, private schools and public school academies in the Academy's service area and there can be no assurance that additional competing facilities will not be established or constructed in the future.

No assurances can be given that the Academy will continue to have funds for the payment of amounts due under the Financing Agreement, including the Bond Payments. Accordingly, the likelihood that there will be sufficient funds to pay the principal of, premium, if any, and interest on the Series 2024 Bonds is dependent upon certain factors which include, but are not limited to: (a) the continuing need of the Academy for the Academy Facilities; (b) the ability of the Academy to obtain funds (including State School Aid) to pay obligations associated with the Financing Agreement; (c) the demographic conditions within the service area of the Academy; and (d) the value of the Utica Road Facilities and other assets of the Academy upon foreclosure sale under the Mortgage instituted by the Trustee pursuant to the Indenture and Mortgage and upon exercise of the remedies available under the Financing Agreement and the Indenture.

## **Construction Risks**

The Academy already operates grades 3-8 from the Utica Road Facilities. On and after the Closing Date, the Academy will undertake the Project as further described in "APPENDIX A – HURON ACADEMY."

After the completion of the Project, which will be substantially completed by July 31, 2025, the Academy will move grades PreK-2 from the Sterling Heights Facilities to the Utica Road Facilities,

therefore consolidating grades PreK-8 into a single campus location. After the completion of the Project, the Academy expects to cease the use the Sterling Heights Facilities and expects to operate solely from the Utica Road Facilities. If the Project is delayed, the Academy intends to extend the lease for the Sterling Heights Facilities as described herein, providing the Academy an additional four months to finish the Project.

Construction of the Utica Road Facilities is subject to ordinary risks associated with new construction, such as risks of cost overruns, contractor and subcontractor claims, noncompletion and delays due to a variety of factors, including, among other things, site difficulties, necessary design changes or final detailing, labor shortage or strife, delays in and shortages of materials, weather conditions, fire, and casualty. Any delays in construction may adversely impact the Academy's ability to complete the project by the expected completion date, which may result in, among other things, cost overruns, and decreased State School Aid, which may negatively impact the financial position of the Academy.

In connection with the construction of the Project, the Academy has entered into the Construction Contract with the Construction Manager. See "THE ACADEMY FACILITIES AND THE PROJECT" herein and "APPENDIX A – HURON ACADEMY – THE ACADEMY FACILITIES."

### **Factors Associated with Education and the Academy's Operations**

There are a number of factors affecting elementary and secondary school education in general, including the Academy, which could have an adverse effect on the Academy's financial position and its ability to make Bond Payments and other payments required under the Financing Agreement. These factors include, but are not limited to, increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, the federal Every Student Succeeds Act; laws or regulations concerning environmental quality, work safety and accommodating persons with disabilities; any unionization of the Academy's work force with consequent impact on wage scales and operating costs of the Academy; the ability to attract a sufficient number of students; changes in existing statutes pertaining to the powers of the Academy, legislation or regulations which may affect program funding, and disruption of the Academy's operations by real or perceived threats against the school, its employees, or students. The Academy cannot assess or predict the ultimate effect of these factors on its operations or financial results of its operations or on its ability to make Bond Payments and other payments required under the Financing Agreement with respect to the Series 2024 Bonds.

### **Competition for Students**

The Academy competes for students with other public school academies, traditional public school districts, and private schools.

There can be no assurance that the Academy will attract and retain the number of students that are needed to produce the pledged revenues that are necessary to pay the debt service on the Series 2024 Bonds.

Several traditional public schools are located in close proximity to the Academy's Sterling Heights Facilities and several traditional public schools and public school academies are located in close proximity to the Academy's Facilities.

Under enacted legislation, public school academies may, with the concurrence of their authorizing body, replicate multiple configurations of the same grades at separate sites. Additionally, effective January 2015, there is no limit to the number of charters State universities may authorize. These provisions could create additional competition for students in the Academy service area. See "APPENDIX A – HURON ACADEMY – SERVICE AREA AND COMPETING SCHOOLS" for information regarding other schools in the Academy's service area and schools that compete with the Academy.

## **Public School Academies Generally**

The operations of the Academy relate primarily to the ownership and operation of a public school academy with a campus located in the State. Such operations are dependent on sufficient demand for such facilities, adequate revenues from enrollment at the facilities and control of expenses. The operation of a public school academy is highly regulated through the Charter and by the Authorizing Body and the MDE. A public school academy may not charge tuition to a student attending the academy. The failure of the Academy to meet the requirements of the regulations, termination, revocation or nonrenewal of the Academy's Charter by the Authorizing Body, or its designee, or the inability to secure a charter from another authorizing body would have a material adverse effect on the ability of the Academy to make payments due under the Indenture. See "RISK FACTORS – Termination, Revocation or Non-Renewal of Charter," "– Authorizing Body Certificate Condition to Issuance of the Series 2024 Bonds," "– Recent and Future Changes to Charter School Laws" and "– Recent Actions by Charter Authorizers" herein."

## **Academic Performance and Accountability Systems**

The State has an accountability system to measure academic performance as mandated by the Every Student Succeeds Act ("ESSA"). This accountability system replaced the prior accountability system which included a Top-to-Bottom School Ranking and Accountability Scorecard. The current accountability system under the State's approved ESSA Plan was implemented beginning with the 2017-18 school year.

In 2018, the State approved the establishment of an additional accountability system for Michigan public schools which was implemented beginning in the 2019-20 school year. The new law added Section 1280g to the Revised School Code (MCL § 380.1280g) which required the MDE to develop and implement a statewide system of accountability measurements, performance and adequate achievement standards and accountability measures. The accountability measurements were required to include A to F letter grades and rankings. The accountability system required under Section 1280g did not supersede or replace the accountability system mandated under the State's ESSA Plan.

On May 22, 2023, the Governor of Michigan approved Public Act 34 which repealed Section 1280g effective as of the 91st day after the adjournment (Sine Die) of the 2023 Regular Session of the Michigan Legislature. After the repeal of Section 1280g, the determination of the lowest achieving public schools in the State are solely determined under the ESSA Plan.

The failure of the Academy to meet these standards under the accountability systems could have a material adverse effect on the ability of the Academy to maintain its Charter and to make payments due under the Financing Agreement. For a further discussion of the accountability system, see "APPENDIX A – HURON ACADEMY – ACADEMIC PERFORMANCE AND ACCOUNTABILITY."

## **No Taxing Authority**

The Academy is a Michigan public school academy and has no taxing power. The Academy does not possess the ability to assess ad valorem taxes now or in the future. As such, the Academy is completely dependent upon State School Aid revenues to pay the payments due under the Indenture. Any event that would delay, reduce or eliminate State School Aid moneys from the State would have a material adverse effect on the ability of the Academy to make payments under the Indenture coming due thereafter. See the "RISK FACTORS" section, including "Termination, Revocation or Non-Renewal of Charter" and "Delay in, Reduction or Termination of State School Aid Payments" herein.

## **Current Economic Conditions**

Michigan has been impacted by economic conditions over the last several decades more seriously than many other states. Although the State has made positive economic progress over the last several years, these gains have been significantly affected by the COVID-19 pandemic. Economic and demographic information Sterling Heights, Clinton Township, Macomb County, and the State is included in “APPENDIX A – HURON ACADEMY – SERVICE AREA AND COMPETING SCHOOLS.”

Such economic and demographic conditions, including the economic impact of the COVID-19 pandemic, could have an adverse effect on funding available for kindergarten through 12th grade education in the State and on student enrollment. The extent of the continuing impact on the economy of the COVID-19 pandemic is unknown at this time.

## **Limitation of Assigned Revenues**

Not more than twenty percent (20%) of the State School Aid funds to be received by the Academy for a given fiscal year may be legally available to pay the Bond Payments and other payments due with respect to the Series 2024 Bonds and other long-term debt of the Academy. Upon the issuance of the Series 2024 Bonds, the portion of the Academy’s State School Aid funds to be received for a given year to be used to pay debt service on the Series 2024 Bonds and other long-term debt of the Academy is projected for the next five (5) school years to be less than 20% of these State School Aid Funds for a given year. See “APPENDIX B – FINANCIAL PROJECTION” herein.

## **Results of the Termination of the Financing Agreement**

In the event that the Academy should not pay money sufficient to pay the Bond Payments under the Financing Agreement, an event of default will have occurred and the Academy’s indebtedness under the Financing Agreement may be accelerated and the Mortgage foreclosed by the Trustee.

A potential purchaser of the Series 2024 Bonds should not assume that it will be possible to obtain proceeds from the foreclosure of the Mortgage and the sale of the Utica Road Facilities after a termination of a Financing Agreement and a foreclosure of the Mortgage, for an amount equal to the aggregate principal amount of the Series 2024 Bonds then outstanding plus accrued interest thereon. If the Utica Road Facilities are sold pursuant to a foreclosure sale under the Mortgage (and there is no assurance that there would be any purchaser upon a foreclosure sale) for an amount less than the aggregate principal amount of and accrued interest on the Series 2024 Bonds, such partial payment may be the only payment to the Bondholders; upon such partial payment, no holder of any Series 2024 Bond shall have any further claim for payment from the Trustee.

## **Performance of Academy Management**

The Academy entered into the “Management Agreement dated July 1, 2023. The term of the Management Agreement ends June 30, 2030, unless terminated sooner in accordance with the terms of the Management Agreement. The Academy and CSP work together to develop and bring about systems of educational excellence and services to the Academy based on CSP’s vision of school design, CSP’s management principles and the educational program. CSP specializes in providing charter schools with a variety of educational services and products, including business management, curriculums, educational programs, teacher training and technology. CSP provides to the Academy all labor, material and supervision necessary to provide the educational services to students of the academy, and provides for the personnel, management, operation and maintenance of the Academy. No assurances can be made that CSP will continue to operate school facilities or remain financially able to perform its obligations under the Management Agreement, and public school academy authorizing bodies have on occasion required the

removal of management companies. If CSP ceases to serve in its capacity for the Academy, the Academy's ability to continue the operation of the school would in a large part be dependent upon the Academy's ability to operate, manage and maintain the school itself or to contract with another company competent to operate, manage and maintain the school. Its failure to do either would materially adversely affect the Academy's ability to make the payments due under the Indenture. For additional information regarding CSP, see "APPENDIX A – HURON ACADEMY – THE EDUCATIONAL SERVICE PROVIDER."

### **Inability to Perfect Security Interest in Academy Personal Property under Article 9 of Michigan Uniform Commercial Code**

In the Indenture, the Authority has assigned to the Trustee, to provide for payment of debt service on the Series 2024 Bonds, the Authority's right, title and interest in and to the Financing Agreement, except for the Authority's Unassigned Rights, as defined in the Indenture. The Academy has caused additional security to be provided to the Trustee in the form of a mortgage on the Utica Road Facilities. Under the terms of the Michigan UCC, a security interest granted by the Academy cannot be perfected under Article 9 of the Michigan UCC, because the Academy is a "governmental unit" as such term is defined in Section 9-102(rr) of the Michigan UCC (MCL 440.9102). Section 9-109(4)(m) of the Michigan UCC (MCL 440.9109) excludes from Article 9 of the Michigan UCC any transfer by a governmental unit. As a result, the Trustee's security interest in any personal property collateral described in the Mortgage and Indenture cannot be perfected under Article 9 of the Michigan UCC so long as the Academy qualifies as a "governmental unit" under the Michigan UCC. It is expected that the Academy will continue to qualify as a governmental unit for purposes of Article 9 of the Michigan UCC so long as the Academy's Charter to operate as a public school academy remains in effect. In the absence of a perfected security interest under Article 9 of the Michigan UCC in the personal property collateral pledged by the Academy to secure the Bonds, the Trustee will not have the protections of the Michigan UCC with respect to such personal property collateral, which could impair the Trustee's ability to protect the priority of its lien and/or enforce its security interest in such personal property collateral.

### **Remedies May be Unenforceable**

Remedies provided for in the Financing Agreement, the Mortgage and the Indenture may be unenforceable as a result of the application of principles of equity or of State and federal laws relating to bankruptcy, other forms of debtor relief, and creditors' rights generally. Furthermore, it is not certain whether a court would permit the exercise of the remedies of repossession and sale or leasing with respect thereto. The enforcement of any remedies provided in the Financing Agreement, the Mortgage and the Indenture could prove both expensive and time consuming.

Bankruptcy proceedings by the Academy also could have adverse effects on the holders of the Series 2024 Bonds, including: (a) delay in the enforcement of their remedies; (b) subordination of their claims to claims of those supplying goods and services to the Academy after initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings; and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of Series 2024 Bonds. The United States Bankruptcy Code contains provisions intended to ensure that, in any plan of reorganization not accepted by at least a majority of all of the secured creditors such as the holders of the Series 2024 Bonds, such class of creditors are treated fairly. The plan may, however, alter a secured creditor's rights. Specifically, the Bankruptcy Code provides that debtors have three choices with respect to secured creditors: (i) the debtor may keep the collateral so long as the plan provides that the creditor retains its lien and receives payments equal to the present value of the secured claim; (ii) the debtor may surrender the collateral or its equivalent to the secured creditor, or (iii) the debtor can sell the collateral and use the proceeds to pay off the secured claim. To the extent that the collateral is not sufficient to secure the payment of the secured debt, the secured creditor is entitled to an unsecured claim for the deficiency. Like all aspects of the bankruptcy process,

however, the ultimate result in any particular case may be affected significantly by judicial interpretation of the specific facts and circumstances of the case.

### **Collateral Insufficiency**

In the event of a default under the Indenture or Financing Agreement, the indebtedness thereunder may be accelerated and the Mortgage foreclosed by the Trustee.

A potential purchaser of the Series 2024 Bonds should not assume that it will be possible to obtain proceeds from the foreclosure of the Mortgage and the sale of the Utica Road Facilities or from the sale of personal property secured by the Mortgage after a foreclosure of the Mortgage, for an amount equal to the aggregate principal amount of the Series 2024 Bonds then outstanding plus accrued interest thereon. Such risks include environmental matters, fire and other casualty, condemnation, increased taxes, changes in demand for the facilities, decline in local and general economic conditions and changing governmental regulations. If the Utica Road Facilities are sold pursuant to a foreclosure sale under the Mortgage (and there is no assurance that there would be any purchaser upon a foreclosure sale) for an amount less than the aggregate principal amount of and accrued interest on the Series 2024 Bonds, such partial payment may be the only payment to the Bondholders; upon such partial payment, no holder of any Series 2024 Bond shall have any further claim for payment from the Trustee, other than claims arising from the Academy's general obligation pledge.

### **Inability to Liquidate or Delay in Liquidating the Utica Road Facilities**

An event of default that has occurred and is continuing gives the Trustee the right of possession of, and the right to sell, the Utica Road Facilities pursuant to a foreclosure sale under the Mortgage. The Utica Road Facilities are intended to be used for the public school purposes of the Academy and may not be readily adaptable to other uses. As a result, in the event of a sale of the Utica Road Facilities, the number of uses that could be made of the property, and the number of entities that would be interested in purchasing the Utica Road Facilities, could be limited, and the sale price would be thus affected. The location of the Utica Road Facilities may also limit the number of potential purchasers. A potential purchaser of the Series 2024 Bonds should not anticipate that a sale of the Utica Road Facilities could be accomplished rapidly, or at all, and no assurance can be made that the amount realized upon any sale of the Utica Road Facilities would be fully sufficient to pay and discharge the Series 2024 Bonds. In particular, there can be no representation that the cost of the property included in the Utica Road Facilities constitutes a realizable amount upon any forced sale thereof. Any sale of the Utica Road Facilities would require compliance with the laws of the State of Michigan. Such compliance may be difficult, time-consuming and/or expensive. In the event the Trustee took possession of the Utica Road Facilities, the Utica Road Facilities might be subject to real estate taxation. Any delays in the ability of the Trustee to foreclose on the Mortgage would result in delays in the payment of the Series 2024 Bonds.

### **Future Financings**

The Academy has the ability to issue short-term State School Aid Notes to cover operating cash-flow shortages in a given school year. The Academy did not issue a State School Aid Note for the 2023-24 school year, and the Academy does not intend to issue a State School Aid Note for the 2024-25 school year. However, the Academy may issue State School Aid Notes in future years, which notes would be secured by a pledge of the Academy's State School Aid. In addition to State School Aid Notes, the Academy may also issue Additional Indebtedness or request that the Authority issue Additional Bonds, pursuant to the terms of the Financing Agreement. See "APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT – THE FINANCING AGREEMENT – THE SERIES 2024 BONDS AND THE PROCEEDS THEREOF – Additional Bonds, Academy Bonds and Additional Indebtedness."

## **Damage or Destruction of the Utica Road Facilities**

The Financing Agreement requires that the Academy's property be insured against certain risks in certain amounts. There can be no assurance that the amount of insurance required to be obtained will be adequate or that the cause of any damage or destruction will be as a result of an insured risk. Further, there can be no assurance of the creditworthiness of the insurance companies from which the Academy will obtain the required insurance policies.

## **Future Need for the Utica Road Facilities**

Changes in economic, social or other conditions could affect demographics in the Academy's service area, which in turn could reduce the Academy's ability, need or willingness to utilize the Utica Road Facilities. Although the Academy must satisfy an additional bonds test should it seek to finance additional facilities, the Academy is not legally prohibited from construction of additional facilities at any time. Changes in future needs may have an adverse effect upon the willingness and ability of Academy to budget money to pay its obligations under the Financing Agreement.

## **Determination of Taxability**

If a Determination of Taxability were to occur, the Series 2024 Bonds would be subject to mandatory redemption, as a whole and not in part, at a redemption price equal to 103% of the principal amount thereof plus accrued interest to the date fixed for redemption, on the earliest practicable date for which notice can be given following such determination. Although the Academy would be required to prepay the Series 2024 Bonds as set forth in the Indenture, there can be no assurance that the Academy would possess the ability to make the required payment.

## **Prepayment Risk**

Under the Financing Agreement, the Academy has the option to prepay the Bond Payments on the dates and at the prices described in "THE SERIES 2024 BONDS – Redemption of Series 2024 Bonds Prior to Maturity." In addition, the Series 2024 Bonds are subject to mandatory and optional redemption prior to maturity and are redeemable at the option, and upon the direction, of the Bondholders upon occurrence of certain events as described in "THE SERIES 2024 BONDS – Redemption of Series 2024 Bonds Prior to Maturity" herein. Any such prepayment will be used to call Series 2024 Bonds ratably without preference among all Series 2024 Bonds then outstanding at a price equal to the amount of the principal of the Series 2024 Bonds to be redeemed plus accrued interest to the date of prepayment.

## **No Appraisal**

Neither the Academy nor any other party to the issuance of the Series 2024 Bonds has obtained an appraisal of the Utica Road Facilities in connection with the offering of the Series 2024 Bonds.

In the event of a foreclosure, there can be no assurance that the value of the Utica Road Facilities or the amount received for the Utica Road Facilities will be sufficient to pay the principal of and interest due on the Series 2024 Bonds.

## **Value of Academy Facilities May Fluctuate**

The value of the Utica Road Facilities at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in the transaction. Real property values can fluctuate substantially depending in large part on the state of the economy. There is nothing associated with the Academy Facilities which would suggest that its value would remain stable or would

increase if the general values of property in the community were to decline. Furthermore, because the Utica Road Facilities are limited use buildings, any remedy exercised by the Trustee under the Mortgage could be expensive and time consuming. See “Inability to Liquidate or Delay in Liquidating the Utica Road Facilities” herein.

### **No Credit Enhancement**

There is no letter of credit, bond insurance policy, or other credit enhancement securing the Series 2024 Bonds, nor is there any provision for a credit enhancement to be provided to secure any of the Series 2024 Bonds.

### **Rating on the Series 2024 Bonds**

Moody’s Investors Service, Inc. (“Moody’s”), assigned a rating of “Ba1” to the Series 2024 Bonds. There is no assurance that the rating assigned to the Series 2024 Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for, and marketability of, the Series 2024 Bonds. See “RATING” herein.

### **Private School Vouchers**

Various proposals offering private school vouchers to families to assist with the cost of private schools have been considered across the country and in the State, and enacted in several locations. No such voucher program is currently in place in the State. However, if similar private school voucher programs are enacted in the future, private schools may become more desirable, due to the availability of financial assistance. If private school vouchers are provided for in the State, this may lead to the organization of more private schools and increased competition for the Academy.

### **Unionization of Academy Workforce**

As of the date of this Official Statement, the workforce of the Academy is not unionized and neither the Academy nor CSP is aware of any active unionization efforts with respect to its employees, all of whom are employed by CSP. In the event that the labor relations of the Academy and CSP and its employees change in the future and, if the workforce of the Academy were to vote to unionize; then the operational costs of the Academy would likely rise, and such increase could be significant. If the Academy’s workforce were to unionize, no assurance could be given that such change would not adversely affect the amount of State Aid available for the payment of principal and interest on the Series 2024 Bonds.

### **Teacher Shortage**

The State has faced in the past, is currently facing, and may face in the future, a teacher shortage. The Academy may have to incur increased costs in recruiting new teachers. Such increased costs could adversely affect the Academy’s operations or financial results.

### **Key Management**

The creation of, and the philosophy of teaching in, public school academies such as the Academy initially may reflect the vision and commitment of a few key persons who are on the Academy Board and/or who make up the upper management of the Academy (“Key Directors/Managers”). Loss of such Key Directors/Managers could adversely affect the Academy’s operations or financial results. It is anticipated that over time that public school academies will become less dependent upon the Key Directors/Managers. However, there can be no assurance that this will occur.



## **Less Than Unanimous Consent Required to Amend Certain Provisions of the Indenture and the Financing Agreement**

The Indenture provides that with the consent of a majority of the Bondholders, the Indenture may be modified, altered, or amended, and provisions may be amended or rescinded; however, nothing in the Indenture permits: (a) without the consent of the holders of 66 and 2/3% of the principal amount of the Bonds then Outstanding; (i) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Bond; (ii) a reduction in the principal amount of, or the premium or the rate of interest on, or redemption provisions with respect to, any Bond; (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds; (iv) the creation of a lien prior to the lien of the Indenture; or (v) a reduction in the aggregate principal amount of the Bonds required for consent to any supplemental indenture; or (b) a modification or change in the duties of the Trustee under the Indenture without the consent of the Trustee.

The Financing Agreement provides that the Authority and the Academy may, with the consent of the Trustee, but without the consent of or notice to any of the Bondholders, enter into amendments of the Financing Agreement: (i) to cure any ambiguity or formal defect or omission which shall not adversely affect the interest of the Bondholders; (ii) to grant or pledge to the Authority or Trustee, for the benefit of the Bondholders, any additional security, acting in reliance on the opinion of counsel; or (iii) in connection with any other change therein which, is not materially adverse to the Trustee or the Bondholders; provided, however, the Authority cannot enter into, and the Trustee may not consent to, any other modification or amendment of the Financing Agreement without the consent of the Holders of 66 2/3% of the aggregate principal amount of the Bonds at the time Outstanding.

## **Environmental Regulation**

There are potential risks relating to environmental liability associated with ownership of or secured lending with respect to real property. When hazardous substances are found on real property, owners or secured lenders may be held liable for costs and other damages relating to such hazardous substances unless they comply with provisions of law designed to provide them with liability protection. The Trustee as mortgagee on behalf of the Bondholders may avoid such liability with respect to the Facility if it does not directly participate in the ownership or management of the Facility. Moreover, as a general matter, when hazardous substances are found on real property, it may avoid potential liability under Part 201 of the Michigan Natural Resources Environmental Response Act, MCL 324.20101-.20142, if it (1) conducts a baseline environmental assessment (“BEA”) and, (2) discloses it to the Department of Environment, Great Lake, and Energy (“EGLE”) and subsequent purchasers and transferees of the property, as outlined under Part 201 (Environmental Remediation) and Part 213 (Leaking Underground Storage Tanks) of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (“NREPA”). Parts 201 and 213 define a BEA as a written document that describes the results of the all appropriate inquiry (“AAI”) and includes the sampling and analysis that confirm that the property is contaminated above the unrestricted residential criteria. A BEA must be submitted to EGLE within six months of the date of purchase, occupancy, or foreclosure, whichever comes first.

Weaver Consultants Group, LLC (the “Consultant”) conducted a Phase I Environmental Site Assessment of the Utica Road Facilities described in its report dated August 27, 2024 (the “Environmental Report”), which revealed no evidence of recognized environmental conditions (“RECs”), controlled RECs, historical RECs, or de minimis conditions in connection with the subject property. In addition, no significant data gaps were identified during the assessments conducted.

The Environmental Report speaks only as of its date, and the Consultant has not been asked to perform any additional assessments since the time of the assessments described in the Environmental

Report. Further, the Environmental Report is subject to the limitations specified therein. More generally, no environmental assessment can completely eliminate uncertainty regarding the potential for recognized environmental conditions in connection with a subject property. Potential investors must refer to the complete Environmental Report for a full understanding of such limitations, and for additional information pertinent to the assessments. Costs incurred by the Academy with respect to environmental remediation or liability could adversely affect the financial condition thereof.

## **Cybersecurity**

The Academy, like many other public and private entities, relies on a technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Academy is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware, and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the Academy's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. The Academy carries insurance for cybersecurity attacks. No assurances can be given that the Academy's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the Academy.

## **TAX MATTERS**

### **General**

In the opinion of the Attorney General of the State of Michigan and Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, under existing law, the interest on the Series 2024 Bonds is (i) excludable from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax. The Attorney General and Bond Counsel are also of the opinion that, under existing law, the Series 2024 Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. Neither Bond Counsel nor the Attorney General will express an opinion regarding any other federal or state tax consequences arising with respect to the Series 2024 Bonds and the interest thereon.

The opinions on state and federal tax matters are based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Academy and the Authority contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Series 2024 Bonds are and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. The Academy and the Authority have covenanted to take the actions required of it for the interest on the Series 2024 Bonds to be and to remain excludable from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. The Attorney General's and Bond Counsel's opinions assume the accuracy of the Authority's and the Academy's certifications and representations and the continuing compliance with the Authority's and the Academy's covenants. Noncompliance with these covenants by the Academy and the Authority may cause the interest on the Series 2024 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2024 Bonds. After the date of issuance of the Series 2024 Bonds, neither the Attorney General nor Bond Counsel will undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to the Attorney General's or Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2024 Bonds or the market prices of the Series 2024 Bonds.

The opinions of the Attorney General and Bond Counsel are based on current legal authority and cover certain matters not directly addressed by such authority. They represent the Attorney General's and Bond Counsel's legal judgment as to the excludability of interest on the Series 2024 Bonds from gross income for federal income tax purposes but are not a guarantee of that conclusion. The opinions are not binding on the Internal Revenue Service ("IRS") or any court. The Attorney General and Bond Counsel cannot give and have not given any opinion or assurance about the effect of future changes in the Internal Revenue Code of 1986, as amended (the "Code"), the applicable regulations, the interpretations thereof or the enforcement thereof by the IRS.

Ownership of the Series 2024 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Series 2024 Bonds. Neither the Attorney General nor Bond Counsel will express any opinion regarding any such consequences.

### **Tax Treatment of Accruals on Original Issue Discount Bonds**

Under existing law, if the initial public offering price to the public (excluding bond houses and brokers) of a Series 2024 Bond is less than the stated redemption price of such Bonds at maturity, then such Series 2024 Bond is considered to have "original issue discount" equal to the difference between such initial offering price and the amount payable at maturity (such Series 2024 Bonds are referred to as "OID Bonds"). Such discount is treated as interest excludable from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bonds on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period) from the date of original issue with straight-line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of OID Bonds who purchase such OID Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such OID Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

All holders of the OID Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition of an OID Bond to the extent such loss is attributable to accrued original issue discount.

### **Amortizable Bond Premium**

For federal income tax purposes, the excess of the initial offering price to the public (excluding bond houses and brokers) at which a Series 2024 Bond is sold over the amount payable at maturity thereof constitutes for the original purchasers of such Series 2024 Bonds (collectively, the "Original Premium Bonds") an amortizable bond premium. Series 2024 Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer's basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases, on an earlier call date (such bonds being referred to herein collectively with the Original Premium Bonds as the "Premium Bonds"). Such amortizable bond premium is not deductible from gross income. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the taxpayer's yield to maturity determined by using the taxpayer's basis (for purposes of determining

loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the taxpayer's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

All holders of the Premium Bonds should consult with their own tax advisors as to the amount and effect of the amortizable bond premium.

### **Market Discount**

The "market discount rules" of the Code apply to the Series 2024 Bonds. Accordingly, holders acquiring their Series 2024 Bonds subsequent to the initial issuance of the Series 2024 Bonds will generally be required to treat market discount recognized under the provisions of the Code as ordinary taxable income (as opposed to capital gain income). Holders should consult their own tax advisors regarding the application of the market discount provisions of the Code and the advisability of making any of the elections relating to market discount allowed by the Code.

### **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid after March 31, 2007, on tax-exempt obligations, including the Series 2024 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Series 2024 Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2024 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

### **Future Developments**

Bond Counsel's engagement with respect to the Series 2024 Bonds ends with the issuance of the Series 2024 Bonds and, unless separately engaged, bond counsel is not obligated to defend the Authority and the Academy in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2024 Bonds, under current IRS procedures, the IRS will treat the Authority and the Academy as the taxpayers and the beneficial owners of the Series 2024 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS WHICH COULD CAUSE THE INTEREST ON THE SERIES 2024 BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE SERIES

2024 BONDS, OR OTHERWISE PREVENT THE HOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON.

FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE SERIES 2024 BONDS FOR AUDIT EXAMINATION, OR THE COURSE OR RESULT OF ANY EXAMINATION OF THE SERIES 2024 BONDS, OR OTHER BONDS WHICH PRESENT SIMILAR TAX ISSUES, WILL NOT AFFECT THE MARKET PRICE OF THE SERIES 2024 BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2024 BONDS, INCLUDING THE IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

### **RATING**

Moody's Investors Service, Inc. ("Moody's"), assigned a rating of "Ba1" to the Series 2024 Bonds. Such rating reflects only the view of Moody's and an explanation of the significance of such rating may be obtained from Moody's. The rating is not a recommendation to buy, sell or hold the Series 2024 Bonds, and there is no assurance that such rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in its judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2024 Bonds. See "RISK FACTORS – Rating on the Series 2024 Bonds" herein.

### **APPROVAL OF LEGAL PROCEEDINGS**

Legal matters incident to the authorization, issuance and sale by the Authority of the Series 2024 Bonds will be passed upon by Miller, Canfield, Paddock & Stone, P.L.C., Detroit, Michigan, Bond Counsel, and the Attorney General of the State of Michigan. The proposed forms of opinions of Bond Counsel and the Attorney General are attached hereto as "APPENDIX G – FORM OF OPINION OF BOND COUNSEL" and "APPENDIX H – FORM OF OPINION OF THE ATTORNEY GENERAL." Copies of the approving opinion of Bond Counsel and of counsel to the Academy will be available at the time of the delivery of the Series 2024 Bonds. Certain legal matters will be passed upon for the Academy by Shifman & Carlson, P.C., Farmington Hills, Michigan, and for the Underwriter by Ice Miller LLP, Columbus, Ohio, in its capacity as counsel to the Underwriter.

### **UNDERWRITING**

Subject to the terms and conditions of a Bond Purchase Agreement (the "Purchase Agreement") entered into by and among the Authority, the Academy, and the Underwriter, the Underwriter has agreed to purchase the Series 2024 Bonds at an aggregate purchase price of \$\_\_\_\_\_ (representing the original principal amount of the Series 2024 Bonds (\$12,660,000\*), [plus/less] a [net] original issue [premium/discount] of \$\_\_\_\_\_ less Underwriter's compensation of \$\_\_\_\_\_). Expenses associated with the issuance of the Series 2024 Bonds are being paid from proceeds of the Series 2024 Bonds. The Purchase Agreement provides that the Underwriter will purchase all of the Series 2024 Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement. The Underwriter may offer and sell the Series 2024 Bonds at prices different from the prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter. The Underwriter is not obligated to create a secondary market for the purchase or sale of the Series 2024 Bonds and there may, in fact, be no market

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\* Preliminary, subject to change.

for the Series 2024 Bonds depending upon prevailing market conditions, the financial condition or market position of firms who make up the secondary market and the financial position and results of operations of the Academy.

## **RELATIONSHIPS AMONG THE PARTIES**

In connection with the issuance of the Series 2024 Bonds, the Authority, the Academy, and the Underwriter are being represented by the attorneys for law firms identified above under the heading “APPROVAL OF LEGAL PROCEEDINGS.” In other transactions not related to the Series 2024 Bonds, each of these attorneys or law firms may have acted as bond counsel or represented the Authority, the Academy, the Underwriter, or their affiliates, in capacities different from those described under “APPROVAL OF LEGAL PROCEEDINGS,” and there will be no limitations imposed as a result of the issuance of the Series 2024 Bonds on the ability of any of these firms or attorneys to act as bond counsel or represent any of these parties in any future transactions. Potential purchasers of the Series 2024 Bonds should not assume that the Authority, the Academy, the Underwriter, or Bond Counsel have not previously engaged in or will not after the issuance of the Series 2024 Bonds engage in, other transactions with each other or with any affiliates of any of them, and no assurances can be given that there are or will be no past or future relationship or transactions between or among any of these parties or these attorneys or law firms.

## **NO LITIGATION**

### **The Academy**

There is no litigation of any nature pending or threatened against the Academy to restrain or enjoin the issuance, sale, execution, or delivery of the Series 2024 Bonds or the application of the proceeds thereof toward the costs of the Project, or in any way contesting or affecting the validity of the Series 2024 Bonds or any proceedings of the Academy taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security for the Series 2024 Bonds or the existence or powers of the Academy.

There is no litigation pending or, to the knowledge of the Academy, threatened against the Academy, wherein an unfavorable decision would adversely affect the ability of the Academy to carry out its obligations under the Financing Agreement or the Indenture or would have a material adverse impact on the financial position of the Academy.

### **The Authority**

There is not now pending or, to the knowledge of the Authority, threatened any litigation restraining or enjoining the issuance or delivery of the Series 2024 Bonds or questioning or affecting the validity of the Series 2024 Bonds or the proceedings or authority under which they are to be issued. Neither the creation, organization nor existence of the Authority nor the title of any of the present members or other officials of the Authority to their respective offices is being contested. There is no litigation pending or, to the Authority’s knowledge, threatened which in any manner questions the right of the Authority to enter into the documents to be executed by the Authority in connection with the Series 2024 Bonds or to secure the Series 2024 Bonds in the manner provided in the Indenture or the Act.

## **CONTINUING DISCLOSURE**

The Academy will execute and deliver a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), with respect to the Series 2024 Bonds. The Continuing Disclosure Agreement is made for the benefit of the registered and Beneficial Owners (as defined in the Continuing Disclosure Agreement) of the Series 2024 Bonds and in order to assist the Underwriter in complying with its obligations pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission under the

Securities Exchange Act of 1934, as amended (the “Continuing Disclosure Rule”). See “APPENDIX I – FORM OF CONTINUING DISCLOSURE AGREEMENT.”

The Academy has previously entered into a continuing disclosure undertaking subject to the Continuing Disclosure Rule in connection with the issuance of the Series 2015 Bonds (the “Prior Continuing Disclosure Agreement”). During the past five years, the Academy failed to comply with the Prior Continuing Disclosure Agreement in the following respects:

1. Failed to file with the Municipal Securities Rulemaking Board (“MSRB”) student/faculty ratio table for the Fiscal Years ended June 30, 2019 through 2023 and failed to file failure to file (“FTF”) notices of the same; and
2. Failed to file with the MSRB 11 years of historical and projected fall enrollment counts for the Fiscal Years ended June 30, 2019 through 2023, posting seven years of such data instead.

In addition, the indenture pursuant to which the Series 2015 Bonds were issued required audited financial statements to be posted 30 days earlier than the Prior Continuing Disclosure Agreement required and required certain quarterly information to be posted, as well. The Academy posted audited financial statements between 12 and 26 days late for four of the last five Fiscal Years and posted certain quarterly information between one and nine days late for five fiscal quarters within the last five years.

The Academy has reviewed the Prior Continuing Disclosure Agreement failures identified above with the Underwriter, has reviewed the Continuing Disclosure Agreement with the Underwriter and with the Academy’s advisors and counsel, and expects to comply in all material respects with the Continuing Disclosure Agreement.

Pursuant to the Continuing Disclosure Agreement, the Academy will agree to provide, or cause to be provided, annually to the Municipal Securities Rulemaking Board (the “MSRB”) certain quantitative financial information and operating data of the type specified in the Continuing Disclosure Agreement (the “Annual Report”); and to provide in a timely manner to the MSRB notice of the occurrence of certain events, if material (within the meaning of the Continuing Disclosure Rule), and of any failure to provide the Annual Report when due. The Continuing Disclosure Agreement does not require that information be provided to all registered owners or Beneficial Owners of the Series 2024 Bonds, but rather requires only that such information be provided to the MSRB.

The Continuing Disclosure Agreement provides that failure of the Academy or the Dissemination Agent to comply with any of its provisions shall constitute a default thereunder and any party aggrieved thereby, including the owners of the Series 2024 Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observation of any agreement or covenant contained therein. Direct, indirect, consequential and punitive damages shall not be recoverable for any such default and no event of default under the Continuing Disclosure Agreement constitutes a default or an Event of Default under the Indenture.

Pursuant to the Continuing Disclosure Agreement, the Academy has engaged U.S. Bank Trust Company, National Association, as dissemination agent (the “Dissemination Agent”). The Dissemination Agent will assist the Academy in meeting its continuing disclosure obligations as set forth in the Continuing Disclosure Agreement. See “APPENDIX I – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

A failure by the Academy to comply with the undertaking must be reported by the Academy, in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before

recommending the purchase or sale of the Series 2024 Bonds in the secondary market. Consequently, such failure may adversely affect the marketability and liquidity of the Series 2024 Bonds and the market price thereof.

## **FINANCIAL STATEMENTS**

The financial statements of the Academy, as of and for the years ended June 30, 2022 and 2023, included herein as part of “APPENDIX C – FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (DRAFT) AND AUDITED FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022” have been audited by Croskey Lanni, PC, which was acquired by Marcum LLP in May 2024, to the extent and for the periods indicated in their report thereon. In addition, financial statements of the Academy, as of and for the year ending June 30, 2024, are included herein as part of “APPENDIX C – FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (DRAFT) AND AUDITED FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022.” The Academy is not aware of any facts that would make the audited or unaudited financial statements misleading. The audited and unaudited financial statements included in APPENDIX C are an integral part hereof and should be read in their entirety.

## **MISCELLANEOUS**

The Series 2024 Bonds are intended to be exempt securities under the Securities Act of 1933, as amended (the “1933 Act”), and the offer, sale and delivery of the Series 2024 Bonds does not require registration under the 1933 Act or qualification of the Indenture under the Trust Indenture Act of 1939. The Academy has agreed that, during the course of the transaction and prior to the sale of the Series 2024 Bonds, potential investors may ask questions of and receive answers from its representatives concerning the terms and conditions of the offering and that potential investors may obtain from it any additional information necessary to verify the accuracy of the information furnished, in each case to the extent it possesses such information or can acquire it without unreasonable effort or expense. Any request for information may be directed to the Underwriter. The Academy has furnished the information herein. The Underwriter has furnished the information herein with respect to the offering prices of the Series 2024 Bonds and the information under the caption “UNDERWRITING.”

All quotations from, and summaries and explanations of, the Indenture and other documents referred to herein do not purport to be complete, and reference is made to said documents for full and complete statements of their provisions. All references herein to the Series 2024 Bonds are qualified by the definitive forms thereof and the information with respect thereto contained in the Indenture. This Official Statement shall not be construed as constituting an agreement with purchasers of the Series 2024 Bonds. The cover page, introductory statement and the attached appendices are part of this Official Statement. All information contained in this Official Statement, including the appendices, is subject to change and/or correction without notice and neither the delivery of this Official Statement nor any sale made hereunder creates any implication that the information contained herein is complete or accurate in its entirety as of any date after the date hereof.

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**ANY STATEMENTS MADE IN THIS OFFICIAL STATEMENT INVOLVING MATTERS OF OPINION OR ASSUMPTIONS OR ESTIMATES, WHETHER OR NOT SO EXPRESSLY STATED, ARE SET FORTH AS SUCH AND NOT AS REPRESENTATIONS OF FACT AND NO REPRESENTATION IS MADE THAT ANY OF THE ESTIMATES OR ASSUMPTIONS WILL BE REALIZED.**

**HURON ACADEMY**

By: \_\_\_\_\_

Its: \_\_\_\_\_

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**APPENDIX A**  
**HURON ACADEMY**

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## APPENDIX A<sup>1</sup>

### HURON ACADEMY

#### GENERAL

Huron Academy (the “Academy”) is a public school academy operating as a Michigan non-profit corporation and a governmental agency of the State of Michigan (the “State”) organized pursuant to Part 6A of Chapter 380 of the Revised School Code, Act 451, Public Acts of Michigan, 1976, as amended (the “Revised School Code”), Michigan Compiled Laws (“MCL”) Section 380.501 et seq. and the Michigan Nonprofit Corporation Act, Act No. 162, Public Acts of Michigan, 1982, as amended, MCL 450.2101 *et seq.*

The Academy is governed by a volunteer board of directors (the “Board”) and operates pursuant to the Contract to Charter a Public School Academy effective July 1, 2023 (the “Charter”), issued to the Academy by the Ferris State University (“FSU”) Board of Trustees (the “Authorizing Body”) for a term of seven years expiring on June 30, 2030, unless sooner terminated according to the terms of the Charter. The Charter was originally entered into in May 1999, and was renewed in 2004, 2009, 2011, 2016, and 2023. See “THE CHARTER” herein and “RISK FACTORS – Termination, Revocation or Non-Renewal of Charter” in the forepart of this Official Statement.

The Academy entered into an educational service provided agreement (the “Management Agreement”) dated July 1, 2023, with CS Partners, Inc., a Michigan limited liability company, and CSP Management, Inc., a Michigan corporation d/b/a Partner Solutions for Schools (collectively, “CSP” or the “Manager”). See “THE MANAGER” herein for additional information.

The Academy began operations as a public school academy in September 1999 and enrolled approximately 113 students in grades K-3. In the 2000-01 school year, the Academy expanded the number of grades served to include grades K-5 and served approximately 269 students. By the 2017-18 school year, the Academy served approximately 633 students in grades K-8. The Academy began offering a tuition-based pre-kindergarten (“PreK”) program in the 2015-16 school year.

As of the first Wednesday in October of each school year (the “Fall Count Date”), in grades K-8, the Academy enrolled 632 students in the 2020-21 school year, 624 students in the 2021-22 school year, 644 students in the 2022-23 school year, and 661 students in the 2023-24 school year. As of September 24, 2024, the Academy enrolled 681 students in grades K-8. In addition to the K-8 enrollment, the PreK Program enrolled 29 students as of such date.

The Academy offers grades PreK-2 from the Sterling Heights Facilities and grades 3-8 from the Utica Road Facilities. The Academy Facilities are located approximately 3.1 miles apart from each other.

After the completion of the Project, which will be substantially completed by July 31, 2025, the Academy will move grades PreK-2 from the Sterling Heights Facilities to the Utica Road Facilities, thereby consolidating grades PreK-8 into a single campus location. After the completion of the Project, the Academy expects to cease the use of the Sterling Heights Facilities and expects to operate solely from the Utica Road Facilities.

The Academy currently ground leases the land on which the Sterling Heights Facilities are located from St. John Greek Orthodox Church pursuant to an agreement dated September 1, 2000, that expires on August 31, 2025. The Sterling Heights Facilities were constructed by the Academy with the proceeds of the Prior Obligations (See “OTHER BORROWINGS AND FUTURE FINANCINGS – The Series 2015 Bonds”). The Academy has received a letter from the church indicating that the church would be willing to extend the ground lease if needed in connection with any Project delay. If the Project is delayed, the Academy intends to extend the lease for the Sterling Heights Facilities as described herein, providing the Academy an additional four months to finish the Project.

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<sup>1</sup> Capitalized terms used but not defined herein have the meanings assigned thereto in the Official Statement.

## MISSION AND VISION

*Mission.* The mission of the Academy is to be a leader in the areas of academic excellence and safety, while developing the character of the Academy's students.

*Vision.* The Academy seeks to lead public charter elementary schools in Michigan and traditional public elementary schools in Macomb County in academic excellence, as measured on state and national tests. The Academy seeks to promote the development of character in its students, as measured by a safe and orderly environment, where all children are accepted and can learn.

## ACCREDITATION, AWARDS AND ACCOLADES

The Academy is accredited by Cognia, formerly known as AdvancED, for the period ending June 30, 2029.

The following list includes recent awards and accolades of the Academy:

- Received the "Shining Star Award" from 2001 through 2020, the last year this award was given, from Ferris State University
- North Central Accreditation for excellence since 2001
- Academic Excellence Award in 2003 for advanced Michigan Educational Assessment Program ("MEAP") scores
- Summit Award in 2001 for leadership from Michigan Association of Public School Academies
- Entrepreneurial Award in 2003 for leadership from Chancellor Beacon Academies
- The Academy's students consistently performed well on state standardized tests, as well as complete the Michigan Student Test of Educational Progress ("M-Step") test and the Northwest Evaluation Association ("NWEA") Measures of Academic Progress ("MAP") test
- Creation and Implementation of a House System, which is a historic and proven way to create a positive climate and culture for students, staff, and families. This is a result of over 20 staff members traveling to Atlanta for training and observations at Ron Clark Academy through a grant from Ferris State University
- In the process of becoming a "P2 Green Shield School," which is a top performing of the Nationally recognized Positivity Project
- During recent Reauthorization, Huron Academy was awarded a seven year renewal, at the time the longest time awarded at the CSO
- Parent Satisfaction Rating has been above 90% or higher for over a decade
- Title III Program recently saw 23% of its students test proficient and exit the program, based on the WIDA Assessment. This is a significantly high number by any metric
- \$731,714 raised over the past two years in State and private grants

## EDUCATIONAL PHILOSOPHY AND CURRICULUM

### Core Values

The Academy endorses the continuing need for character education in the nation’s schools. Knowing that character drives personal, professional and civic decisions, the Academy realizes that character education programs are most effective when they are developed in concert with the local school community. The table below shows the four Core Values of the Academy:

<p><b>TRUSTWORTHINESS</b> – being worthy of trust, honor and confidence in all relationships.</p> <ul style="list-style-type: none"> <li>- Honesty (truthful, sincere, non-deceptive, candid, not cheating)</li> <li>- Integrity (morally courageous, principled)</li> <li>- Promise-keeping (dependable, reliable)</li> <li>- Loyalty (faithful, allegiant, supportive, maintains confidences)</li> </ul>	<p><b>RESPECT</b> – demonstrating regard for the dignity, worth and autonomy of all person (including self)</p> <ul style="list-style-type: none"> <li>- Trusting others with courtesy, civility, politeness</li> <li>- Tolerating other’s beliefs</li> <li>- Accepting individual differences without prejudice</li> <li>- Refraining from violence, coercion, intimidation</li> </ul>
<p><b>RESPONSIBILITY</b> – acknowledging and living up to duties to others and self.</p> <ul style="list-style-type: none"> <li>- Accountability (answerable for consequences of decisions)</li> <li>- Pursuit of excellence (diligent, industriousness, perseverant)</li> <li>- Self-discipline (self-control, restraint)</li> </ul>	<p><b>JUSTICE AND FAIRNESS</b></p> <ul style="list-style-type: none"> <li>- Making decisions on appropriate factors (impartiality, avoidance of conflicts of interest)</li> <li>- Commitment to equity and equality</li> <li>- Openness to information and ideas</li> <li>- Reasonableness</li> <li>- Due process</li> <li>- Consistency</li> </ul>

### Curriculum Overview

The Academy believes that the development of a child’s character is crucial in the educational setting. The Academy has incorporated character education into the school setting and is led by the Smart Character Choices program. The focus in this area is teaching classroom and school-wide procedures and routines, proper social skills, manners, and character traits. The Academy focuses on several character traits throughout the school year including; Trustworthiness, Respect, Responsibility, and Justice/Fairness. Students attend character assemblies, receive in class presentations, and receive character education incorporated into their academic curriculum. The Academy believes that through character education and positive behavior intervention, the Academy’s students will continue to succeed in all areas of life.

*Kindergarten.* Students in kindergarten focus on English language arts and literacy skills as they learn about the alphabet, building words, letter sounds, and writing. Teachers also begin the foundation for mathematics learning as students engage in counting, adding and subtracting activities. In addition to the fundamental concepts, students learn about listening to others, speaking clearly to express their own thoughts, ideas and feelings, and asking and answering questions. Students participate in art and music programs weekly and are introduced to the Academy’s smart character program.

The Academy also offers Transitional Kindergarten (“TK”). This is the first year of a two-year kindergarten experience giving children the gift of time to develop the skills that will prepare them to be successful lifelong learners. Children who turn 5 years old between Sept. 1 and Dec. 1 are automatically eligible for this program.

*Grades 1-2.* Students expand and enhance the fundamental skills they developed in kindergarten. Hands-on learning, technology enhanced classrooms and innovative teachers work with students to advance their reading and

writing skills and improve their speed and accuracy of math fundamentals in preparation for the next stage of their education.

In first grade, students focus on becoming more independent readers and writers. They begin to learn and understand more complex words and improve their spelling accuracy. Reading skills broaden into describing characters, settings and details of stories, and writing structure is introduced. Teachers work to improve the speed and accuracy of addition and subtraction as students move into double digit numbers and are introduced to word problems, measurements and composite shapes.

Second grade teachers at the Academy concentrate on boosting student comprehension and critical thinking in all subjects. Students continue their growth in reading as they increase their reading comprehension and recall of story details. Writing assignments progress as they gain a better understanding of idea development, organization and grammar. Students focus on mastering math fundamentals in addition and subtraction as they advance to triple-digit numbers, build expertise in solving word problems and understand 2-D and 3-D shapes.

*Grades 3-5.* Students in grade 3 began to incorporate more analytical skills into their learning. They expand their vocabulary and grammar as they read more challenging stories and take on more complex writing assignments (research projects, poetry and more). Math advances from addition and subtraction as multiplication and division is introduced. More science is incorporated into the curriculum as students learn about life cycles and ecosystems.

In fourth grade, students start tackling more complex topics using the fundamental skills the students have been taught. Reading incorporates more non-fiction topics, there's advanced discussion and oral reports on books and a continued focus on advancing writing skills with correct grammar, punctuation and organization. Applying arithmetic to word problems, multiplying and dividing multi-digit numbers and the introduction of fractions and measuring angles take place in math during the fourth grade. Students begin to learn about history and continue their study of science.

Critical thinking is at the forefront of fifth grade as students sharpen their skills and refine their knowledge in reading, writing and mathematics. They devote more time as they are challenged with research projects, writing assignments, and fiction and nonfiction reading. Math studies focus on mastering the last areas of arithmetic with fractions and decimals. Physical and life sciences, history and computers are incorporated into daily learning of students.

All elementary students at the Academy use the enVision math program and Phenomenal Science, which is fully integrated in the Michigan Science Standards. The Academy's smart character education program is woven into all areas of the curriculum. All elementary students also participate in technology, art, music and physical education classes.

*Middle School.* Middle school students continue a strong academic focus in grades 6-8 as they prepare to move into high school. Time on task in the core subjects of math, English language arts, science and social studies is vital. They begin to take more responsibility for their learning and become increasingly more independent. Critical thinking skills continue to grow as students advance into more challenging subject areas.

In English and language arts, students explore different literary genres and themes and are challenged to take their writing skills to advanced levels. Research and presentation skills are practiced and refined. There is a continued focus on strengthening vocabulary and grammar skills.

Students improve the accuracy of math fundamentals and continue their advancement into algebra and geometry in preparation for high school. They learn about statistical thinking and begin to solve more complex equations. Personal finance is incorporated into the middle school curriculum as students gain practical knowledge and greater understanding of the role math plays in everyday life.

Middle school allows for new discovery and exploration into various subjects in the arts and sciences. Students use the FOSS program, which is fully integrated in the Michigan Science Standards, as they learn more about how science impacts their daily lives and explore astronomy, physics, and genetics. They have access to Social Studies



textbooks from Discovery Education, and are given the opportunity to explore STEM practices/areas in the Academy's rigorous enhancement courses. Students also have the opportunity to participate in foreign language courses in two languages.

Physical education is incorporated into the student's schedule every other day. The Academy's smart character education program continues to prepare students to be good citizens at home, in school, and within their communities.

### **Smart Character Choices**

The Academy employs the Smart Character Choices program to create easy to understand and follow classroom and school behavioral expectations. Because these behaviors result in a safe environment where students feel cared for and valued, it quickly becomes second nature to students. Smart Character Choices has been shown to increase students' feelings of belonging and has resulted in lower behavioral disruptions and higher academic achievement.

The foundations of Smart Character Choices are the following six character traits:

- Kindness: thinking and acting in ways that show you care
- Optimism: expecting good things today and in the future
- Getting Along: contributing to and gaining from positive relationships
- Responsibility: choosing to act in a way that takes care of yourself and contributes to the common good
- Respect: acting in a way that shows that I am valuable, you are valuable, and we as a group are valuable
- Work Ethic: working hard and sustaining effort leading to feeling good about a job well done

Three components make Smart Character Choices unique from other character education programs in that:

- it embeds the character traits into the curriculum and instructional activities rather than teaching them in isolation, such as the 'trait of the month.
- it focuses on teaching both school-wide and classroom procedures and routines to students.
- it includes teaching students social skills. e.g. manners and etiquette.

*Procedures That Lead to Routines.* Teachers spend focused time, at the beginning of each school year, teaching their students specific classroom procedures and school-wide procedures. This important component to the program is essential to creating safe and orderly classrooms.

*Social Skills (manners and etiquette).* The administration and the faculty at the Academy spend time teaching social skills to students. In the spirit of educating the "whole child," the Academy believes that all students should learn the basic manners and etiquette that are expected in today's society.

### **Parent involvement**

The Huron Academy Parent Teacher Club ("PTC") is a separate 501(c)(3) nonprofit organization. The purpose of the PTC is to enhance, assist, and facilitate the continuing growth and betterment of the educational experience of all Academy students.

### **The Academy's PreK Program**

The Academy offers its tuition-based PreK program to children starting at age 4. Preschool is a time for children to investigate, explore, discover and grow. In preparation for future learning, the Academy encourages

children to think creatively and to make independent decisions. The preschool program fosters this through a variety of play-based, teacher-guided educational experiences. A typical day for a preschool student at the Academy starts with a morning message and includes large group work, small group work, planning time, individual work time, clean-up, outside play and snack/mealtimes. The Academy’s state certified teachers use the state-approved HighScope curriculum that focuses on eight content areas:

- Approaches to learning
- Social and emotional development
- Physical development and health
- Language, literacy, and communication
- Mathematics
- Creative arts
- Science and technology
- Social studies

The preschool program is offered Monday through Friday from 8:30 a.m.–3 p.m. and follows the Academy school calendar, with a few minor exceptions. The Academy offers several payment options for parents: one payment of \$5,000, two payments of \$2,650 each, or nine payments of \$650 each month from September 1 through May 1.

**The Positivity Project**

Students participate in “The Positivity Project,” a nationally recognized, strengths-based character education program. The mission of The Positivity Project is to empower students to build positive relationships and become their best selves. Students learn about and put into practice 24-character traits, including integrity, perseverance, curiosity, leadership, gratitude, and enthusiasm.

**Extracurricular Activities and Clubs**

The table below shows the clubs and afterschool activities offered by the Academy as of the 2024-25 school year.

<u>Clubs</u>		<u>Athletics</u>
Archery Club	Homework Help	Basketball
Art Club	National Junior Honor Society	Cheer
Chess Club	Robotics Club	Flag Team
Destination Imagination	Science Olympiad	Flag Football
Dungeons and Dragons	Student Leadership Team	Soccer
Girls Who Code	Yearbook	Volleyball

**Latch Key Program**

The Academy offers a before and after school program, which is available at each of the Academy Facilities. All students in the latchkey program are expected to behave under the same expectations that are established during the school day. Failure to do so can result in exclusion from the program. Breakfast is available and served for a fee or parents/guardians may send breakfast with their child in the morning.

## THE CHARTER<sup>2</sup>

### General

The Academy operates pursuant to the Charter, issued to the Academy by the Authorizing Body for a term of seven years expiring on June 30, 2030, unless sooner terminated according to the terms of the Charter. The Charter was originally entered into in May 1999, and was renewed in 2004, 2009, 2011, 2016, and 2023.

The Authorizing Body is responsible for the oversight of the Academy's compliance with the Charter and all State and federal laws applicable to public school academies.

The Charter Schools Office at FSU is responsible for the oversight of 19 public school academies, including the Academy.

The Authorizing Body receives three percent (3%) of the State School Aid payments received by the Academy for the provision of this oversight.

Terms not otherwise defined in this summary of the Charter have the meaning assigned to them in the Charter.

### Statutory Grounds for Revocation

Under the terms and conditions of the Charter, the Charter may be revoked by the Authorizing Body upon a determination by the Authorizing Body that one or more of the following statutory grounds for revocation has occurred:

- (a) *Termination With or Without Cause.* The Authorizing Body, in its sole discretion, reserves the right to terminate the Charter for any reason provided that such termination shall not take place less than one (1) year from the date of the Authorizing Body's action. The Charter Schools Office ("CSO") shall provide notice of the termination to the Academy. If, during the period between the Authorizing Body action to terminate and the effective date of termination, it is determined the Academy has violated the Charter or Applicable Law, the Charter may be revoked or suspended sooner.
- (b) *Termination Caused by Change in Applicable Law.* Following issuance of this Charter, if there is a change in Applicable Law that the Authorizing Body, in its sole discretion, determines impairs its rights and obligations under the Charter or requires the Authorizing Body to make changes in the Charter that are not in the best interest of the Authorizing Body or the University, then the Authorizing Body may terminate the Charter at the end of the Academy's school fiscal year in which the Authorizing Body's decision to terminate is adopted. For purposes of this section, a change in Applicable Law includes without limitation the following:
  - (i) the issuance of an order by the Superintendent of Public Instruction, pursuant to section 1280c of the Revised School Code, placing the Academy under the supervision of the State School Reform/Redesign Officer; or
  - (ii) the development of, or changes to, a redesign plan by the Academy pursuant to Section 1280c of the Revised School Code.

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<sup>2</sup> A copy of the Academy's current Charter can be obtained on the Authorizing Body's website: <https://www.ferris.edu/administration/academicaffairs/charterschools/schools/huron/homepage.htm>

## **Other Grounds for Revocation**

In addition to the grounds for an automatic revocation of the Charter, this Charter may also be revoked by the Authorizing Body upon a determination by the Authorizing Body, that one or more of the following has occurred:

- (a) Failure of the Academy to demonstrate improved pupil academic achievement for all groups of pupils or meet the educational goals set forth in the Charter;
- (b) Failure of the Academy to comply with all Applicable Law;
- (c) Failure of the Academy to meet generally accepted public sector accounting principles and demonstrate sound fiscal stewardship; or
- (d) The existence of one or more other grounds for revocation as specified in this Charter.

The Authorizing Body may also revoke this Charter, upon a determination that one or more of the following has occurred:

- (a) The Academy is insolvent, has been adjudged bankrupt, or has operated for two or more school fiscal years with a fund balance deficit;
- (b) The Academy has insufficient enrollment to successfully operate a public school academy, or the Academy has lost more than fifty percent (50%) of its student enrollment from the previous school year;
- (c) The Academy defaults in any of the terms, conditions, promises or representations contained in or incorporated into the Charter;
- (d) The Academy files amendments to its Articles of Incorporation with the State of Michigan without first obtaining the Authorizing Body's approval;
- (e) The Authorizing Body or its designee discovers grossly negligent, fraudulent or criminal conduct by the Academy's applicant(s), directors, officers, employees or agents in relation to their performance under the Charter; or
- (f) The Academy's applicant(s), directors, officers, employees or agents have provided false or misleading information or documentation to the CSO or the Authorizing Body in connection with the Authorizing Body's approval of the Application, the issuance of the Charter, or the Academy's reporting requirements under the Charter or Applicable Law.

## **Process for Revocation**

Except for the automatic revocation process, the Authorizing Body's process for revoking the Charter is as follows:

- (a) *Notice of Intent to Revoke.* The CSO Director, upon reasonable belief that grounds for revocation of the Charter exist, will notify the Board of such grounds by issuing the Board a Notice of Intent to Revoke for non-compliance with the Charter or Applicable Law. The Notice of Intent to Revoke is in writing and must include sufficient detail the alleged grounds for revocation.
- (b) *Board's Response.* Within thirty (30) days of receipt of the Notice of Intent to Revoke, the Board will respond in writing to the alleged grounds for revocation. The Board's response will either admit or deny the allegations of non-compliance. If the Academy's response includes admissions of non-compliance with the Charter or Applicable Law, the Board's response will also contain a description of the Board's plan and timeline for correcting the noncompliance with the Charter or Applicable

Law. If the Academy's response includes a denial of non-compliance with the Charter or Applicable Law, the Academy's response must include sufficient documentation or other evidence to support a denial of noncompliance with the Charter or Applicable Law. A response not in compliance with this Section shall be deemed to be non-responsive. As part of its response, the Board may request that a meeting be scheduled with the CSO Director prior to a review of the Board's response.

- (c) *Plan of Correction.* Within fifteen (15) days of receipt of the Board's response or after a meeting with Board representatives, the CSO Director will review the Board's response and determine whether a reasonable plan for correcting the deficiencies can be formulated. If the CSO Director determines that a reasonable plan for correcting the deficiencies set forth in the Notice of Intent to Revoke can be formulated, the CSO Director may develop a plan for correcting the non-compliance ("Plan of Correction"). In developing a Plan of Correction, the CSO Director is permitted to adopt, modify or reject some or all of the Board's response for correcting the deficiencies outlined in the Notice of Intent to Revoke. The Notice of Intent to Revoke may be closed if the CSO Director determines any of the following: (i) the Board's denial of non-compliance is persuasive; (ii) the non-compliance set forth in the Notice of Intent to Revoke has been corrected by the Board; or (iii) the Board has successfully completed the Plan of Correction.
- (d) *Plan of Correction May Include Conditions to Satisfy Authorizing Body's Charter Reconstitution Authority.* As part of the Plan of Correction, the CSO Director may reconstitute the Academy in an effort to improve student educational performance and to avoid interruption of the educational process. An attempt to improve student educational performance may include, but is not limited to, one of the following actions: (i) removal of one or more members of the Board; (ii) termination of at-will board appointments of one or more Board members; (iii) withdrawal of the Academy's authorization to Charter with an ESP; or (iv) the appointment of a new Board or a trustee to take over operations of the Academy. The CSO shall notify the Superintendent of Public Instruction of any Plan of Correction that includes a reconstitution of the Academy to ensure that the Academy is not included on the list of school buildings subject to automatic closure under section I 280c of the Revised School Code.
- (e) *Request for Revocation Hearing.* The CSO Director may initiate a revocation hearing before the Authorizing Body's Charter Schools Hearing Panel if the CSO Director determines that any of the following has occurred:
  - (i) the Board has failed to respond to the Notice of Intent to Revoke;
  - (ii) the Board's response to the Notice of Intent to Revoke is nonresponsive;
  - (iii) the Board's response admits violations of the Charter or Applicable Law which the CSO Director deems cannot be remedied or cannot be remedied in an appropriate period of time, or for which the CSO Director determines that a Plan of Correction cannot be formulated;
  - (iv) the Board's response contains denials that are not supported by sufficient documentation or other evidence showing compliance with the Charter or Applicable Law;
  - (v) the Board has not complied with part or all of a Plan of Correction;
  - (vi) the Board has engaged in actions that jeopardize the financial or educational integrity of the Academy; or
  - (vii) the Board has been issued multiple or repeated Notices of Intent to Revoke.

The CSO Director shall send a copy of the request for revocation hearing to the Board at the same time the request is sent to the Hearing Panel. The request for revocation shall identify the reasons for revoking the Charter.

- (f) *Hearing before University Charter Schools Hearing Panel.* Within thirty (30) days of receipt of request for revocation hearing, the Hearing Panel may convene a revocation hearing. The Hearing Panel will provide a copy of the notice of hearing to the and the Board at least ten (10) days before the hearing. The purpose of the Hearing Panel is to gather facts surrounding the CSO Director's request for Charter revocation, and to make a recommendation to the Authorizing Body on whether the Charter should be revoked. The revocation hearing is held at a location, date and time as determined by the CSO Director and may not last more than three hours. The hearing will be transcribed by a court reporter and the cost of the court reporter is divided equally between the University and the Academy. The CSO Director or his or her designee, and the Board or its designee, each have equal time to make their presentation to the Hearing Panel. Although each party is permitted to submit affidavits and exhibits in support of their positions, the Hearing Panel will not hear testimony from any witnesses for either side. The Hearing Panel may, however, question the CSO Director and the Board. Within thirty (30) days of the revocation hearing, the Hearing Panel will make a recommendation to the Authorizing Body concerning the revocation of the Charter.
- (g) *Authorizing Body Decision.* If the Hearing Panel's recommendation is submitted to the Authorizing Body at least fourteen (14) days before the Authorizing Body's next regular formal session, the Authorizing Body may consider the Hearing Panel's recommendation at its next regular formal session and vote on whether to revoke the Charter. The Authorizing Body reserves the right to modify, reject or approve all or any part of the Hearing Panel's recommendation. The Authorizing Body may waive the fourteen (14) day submission requirement or hold a special formal session to consider the Hearing Panel's recommendation. A copy of the Authorizing Body's decision will be provided to the CSO, the Board and the Michigan Department of Education.
- (h) *Effective Date of Revocation.* If the Authorizing Body votes to revoke the Charter, the revocation will be effective on the date of the Authorizing Body's act of revocation, or at a date as determined by the Authorizing Body.
- (i) *Disposition of State School Aid Funds.* Notwithstanding any other provision of the Charter, any State School Aid funds received by the Authorizing Body after a recommendation is made by the Hearing Panel to revoke the Charter, or a decision by the Authorizing Body to revoke the Charter, may be withheld by the Authorizing Body or returned to the Michigan Department of Treasury upon request.

See “RISK FACTORS – Termination, Revocation or Non-Renewal of Charter.”

## **GOVERNING BOARD**

The business, property and affairs of the Academy are managed by the Academy board of directors (the “Board”), which currently consists of seven directors (each, a “Director”).

The annual meeting is the first regular meeting of the fiscal year where the Board will, by resolution, determine the time and place of the regular meeting held throughout the fiscal year. The regular meeting schedule may be altered, or rescheduled, only by an action of the Board with prior approval of the Charter Schools Office (“CSO”) of the Authorizing Body. Special meetings may be called by the President or by the Directors acting at a duly noticed and convened meeting. Special meetings may not take the place of regularly scheduled meetings, and business conducted is confined to the subject(s) that require immediate attention or additional study and is limited to the purpose stated in the notice of the meeting. All meetings of the Board must be in compliance with the Open Meetings Act.

A majority of the Directors then in office constitutes a quorum for the transaction of business at any meeting of the Board. The act of the majority of the Directors present at a meeting at which a quorum is present is the act of the Board. No Director may vote by proxy or by way of a telephone conference.

The officers of the Board include a President, Vice President, Secretary, Treasurer, and any such assistant Treasurers and assistant Secretaries as may be selected by the Board. Officers are selected at the annual meeting or at

another regularly scheduled meeting, whichever is convenient for the Board. Each officer holds office until the officer resigns, is removed or until a successor is elected. Any two offices of the Board, except for President and Vice President, may be held by the same person, but no officer may execute, acknowledge or verify any instrument in more than one capacity.

The Board is currently comprised of seven Directors. The table below show certain information about the Directors, followed by brief biographies.

Name	Title	Profession	Employer	Year Joined	Term Ends
Jeffrey Duchene	President	Healthcare	Duchene Chiropractic, P.C.	2008	June-2028
Colleen Dickey	Vice President	Book Binding	Tessmer Book Bindery	2008	June-2026
Katherine Colombo	Secretary	Retired	N/A	2001	June-2026
James Perna	Treasurer	Retired	N/A	2003	June-2025
Ramzi Twal	Director	Healthcare	Henry Ford Radiology	2007	June-2025
Suzan Karadsheh	Director	Marketing	Juice Beauty	2014	June-2027
Alicia Jeffreys	Director	Marketing	Detroit Pistons	2024	June-2028

**Jeffrey Duchene, President** – Dr. Duchene is the President of Duchene Chiropractic, P.C. Dr. Duchene earned a Doctor of Chiropractic from Palmer College of Chiropractic in Davenport, Iowa. While attending Palmer College, he worked as an intern in a private practice. In addition to Duchene Chiropractic, Dr. Duchene is also a Certified Medical Compliance Specialist (“MCS-P”) at Duchene Consulting. He is an active member of American Chiropractic Association, Michigan Association of Chiropractors, and Greater Macomb Physician Hospital Organization, affiliated with Henry Ford Macomb Hospital.

**Colleen Dickey, Vice President** – Mrs. Dickey is the Owner of Tessmer Book Bindery, a family-owned business. Prior to running the family business, she was a system engineer at E.D.S. in Warren, Michigan for over seven years. Mrs. Dickey earned a Bachelor of Science in Computer Information Systems from Western Michigan University and a Master of Arts in Computer Science from Oakland University.

**Katherine Colombo, Secretary** – Mrs. Colombo retired after many years with Applied Technology Systems LLC/ATT. She was responsible for data entry, accounts payable/receivable, purchasing, invoicing, bank reconciliation, and assist in providing documentation for audits. Before her last position, Mrs. Colombo was an office manager at Micro Linear Corporation for over five years. She earned an associate’s degree in General Studies and received her certification as an Administrative Assistant Professional from Macomb Community College.

**James Perna, Treasurer** – Mr. Perna is retired professional after 37 years as the Chief Executive Officer of Health One Credit Union. He is active as a member of the Macomb County Board of Commissioners and President of the Order of Alhambra where he has been a member for 35 years. Mr. Perna earned a degree from Lawrence Technical College. He is a member of numerous service organizations including AMVETS, Northeast Lions Club, M.A.D.D., Grosse Pointe Crisis Club, St. Thecla Parish, Advisory Board for the Wayne County Sheriff Youth & Senior Education Fund and Senior Swing Society of Macomb Chairman.

**Ramzi Twal, Director** – Mr. Twal has been an MRI Technologist at Henry Ford Radiology for the last 36 years. Over the years, he has held many positions in the medical field including X-ray technologist, sports medicine technologist and CT technologist. Mr. Twal earned a degree in Pre-Pharmacy from Wayne State University. He is also active in many service organizations including the American Heart Association, the American Society of Radiological Technologists and the Kappa PSI Pharmaceutical Fraternity.

**Suzan Karadsheh, Director** – Ms. Karadsheh is an Account Executive for Juice Beauty, an organic skincare company. She earned a Bachelor of Science in Human Resources Management and Organizational Leadership and is currently working towards obtaining a master’s degree. Ms. Karadsheh has served on the Board for over 10 years and currently has on child enrolled at the Academy.

**Alicia Jeffreys, Director** – Ms. Jeffreys is the Executive Vice President and Chief Marketing Officer of the Detroit Pistons. She has served the Pistons organization in some capacity for over 20 years. Ms. Jeffreys oversees all marketing efforts and serves on the Executive Leadership team. She is involved in the communities of Macomb and Wayne counties by serving on the board of four other organizations, including New Day Foundation for Families with Cancer and Visit Detroit. Ms. Jeffreys earned a Bachelor of Arts and a Master of Science both in Sports Management and Communication from the University of Michigan.

*Committees of the Board.* The Board, by resolution, may designate one or more committees, with each committee consisting of one or more Directors selected by the Board. All committee meetings must be in compliance with the Open Meetings Act.

## **Fiscal Policies**

*Conflicts of Interest.* The Board has adopted a conflict of interest policy (the “COI Policy”). All Directors are required to comply with any law relating to conflicts of interest, including specifically, MCL 15.321, et seq. The COI Policy is not intended to prevent Directors from authorizing a contract or transaction with a private or public corporation, partnership, unincorporated association, business, trust, or any other type of entity merely because a Director is a staff member, stockholder, officer or director of any such entity.

A Director must promptly disclose his/her pecuniary interests in any prospective contract or transaction with the Academy to the Board at a public meeting. The vote is held at least seven days after the disclosure is made. A contract or transaction may be approved by a vote of not less than two-thirds of the Directors in an open session, without the vote of the Director making the disclosure. A Director is presumed to have a conflict of interest if the Director or his/her family member<sup>3</sup> has a financial interest, or a competing financial interest, in the contract or other financial transaction or is a staff member of the Academy. All competitive bids for material and labor submitted for the construction of a new school building, or the addition to or repair or renovation of an existing school building is to be accompanied by a sworn statement disclosure any familial relationship that exists between the owner(s) or any employee of the bidder and any Director or the School Leader of the Academy. The Board will not accept a bid that does not include a sworn and notarized familial relationship disclosure statement.

## **ADMINISTRATION**

The Academy’s administration consists of the Superintendent/Principal, Assistant Principal and Title IX Coordinator and Assistant Principal of Curriculum and Instruction. Brief biographies are provided below.

**Joshua Sobczak, Superintendent/Principal** – Mr. Sobczak joined the Academy in 2019 as Assistant Principal and was promoted to Superintendent/Principal in 2022. He has been in the field of education for over 10 years. Mr. Sobczak has taught all grade levels in some capacity. He primarily focused on English and social studies at the secondary level, but has taught other classes including honors law, theatre, and hip-hop and poetry. While teaching, he also developed curriculum, led a number of student groups, and worked closely with staff on transcript audits, schedules, and professional development in general. In his current role, Mr. Sobczak focuses on the students. From conflict resolution to character building, it is his goal to shape and prepare all of his students for a successful life outside of the classroom. Mr. Sobczak earned a Bachelor of Science in Education and a Master of Education in Instructional Technology/Design and Performance Systems from Wayne State University.

**Lisa Lane, Assistant Principal and Title IX Coordinator** – Mrs. Lane has been in the field of education for over 22 years, and this will be her 21st year at the Academy. In her current role, Mrs. Lane focuses on school culture, as well as social and emotional development and learning for the Academy’s students. Prior to her current position, she has held the position of school counselor and enhancement teacher, instructing classes such as Career Readiness, Interpersonal Communications, Leadership, and Opportunity for Success, and she taught several grade

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<sup>3</sup> A family member means a person’s spouse or spouse’s sibling or child; a person’s sibling or sibling’s spouse or child; a person’s child or child’s spouse; or a person’s parent or parent’s spouse; and includes these relationships as created by adoption or marriage.



levels, including 12 years as a third-grade teacher. Mrs. Lane earned a Bachelor of Science in Elementary Education from Oakland University and a Master of Arts in Counseling from Central Michigan University.

**Jason Robinson, Assistant Principal of Curriculum and Instruction** – Mr. Robinson has worked in the field of education for 16 years. He has taught students in grades 2-12, and adult education classes. Throughout his career as an educator, he served as the team leader and the professional development lead teacher at his schools. Mr. Robinson has also received various awards for his innovative teaching strategies. In his current role, he focuses on curriculum and instruction, as well as other areas of need at the Academy. His goal is to improve student performance, and to help the students, and staff reach their fullest potential. Mr. Robinson earned a Bachelor of Arts in English from the University of Michigan, a Master of Arts in Teaching from Hampton University, and a Master of Education in Educational Administration from Grand Canyon University.

## THE MANAGER

### General

The Academy entered into an educational service provider agreement (the “Management Agreement”) dated July 1, 2023, by and among CS Partners, Inc., a Michigan corporation, CSP Management Inc., a Michigan corporation d/b/a Partner Solutions for Schools (together, “CSP” or the “Manager”). The term of the Management Agreement ends June 30, 2030, unless terminated sooner in accordance with the terms of the Management Agreement. The Management Agreement was originally entered into in 2005 and has been renewed with each renewal of the Charter thereafter.

The Academy and CSP work together to develop and bring about systems of educational excellence and services to the Academy based on CSP’s vision of school design, CSP’s management principles and the educational program. CSP specializes in providing charter schools with a variety of educational services and products, including business management, curriculums, educational programs, teacher training and technology. CSP provides to the Academy all labor, material and supervision necessary to provide the educational services to students of the academy, and provides for the personnel, management, operation and maintenance of the Academy. As of the 2024-25 school year, CSP manages 37 schools, either in a full-service capacity or a select number of services. They collectively serve over 15,000 students in grades PreK-12.

### The Management Agreement

The following is a brief summary of certain provisions of the Management Agreement between the Academy and CSP. The following summary is not intended to be definitive, and it is not a complete explanation of all provisions of the Management Agreement. Reference should be made to the Management Agreement in its entirety for a complete recital of the terms of the Management Agreement, which is available from the Underwriter upon request.

Under the terms of the Management Agreement, the Board pays CSP an annual management fee equal to a percentage of the total amount of State School Aid received from the State for a given school year, for the particular number of students enrolled in the Academy (based on the final blended student count for any given school year) according to the following schedule:

- 1 to 599 students = 10% of State Aid
- 600 to 799 students = 9% of State Aid

The fee per the schedule above may also apply to any Additional Revenue (as defined in the Management Agreement), provided that CSP discloses that the fee also applies to said Additional Revenue and the Board approves the same in the Academy’s annual budget, or any revised budget, prior to the application and payment of such fee.

Under the terms of the Agreement, CSP is responsible for all of the management, operation, administration, and education at the Academy, subject to the Charter and the discretion and approval of the Board. Such duties include, but are not limited to: (a) implementing the Educational Program (as defined in the Management Agreement); (b) perform functions other than instruction, including but not limited to purchasing, board support, professional

development and administrative functions off-site; (c) establish and implement recruitment admission policies; (d) providing student due process hearings; (e) administer and provide the Educational Program in a manner meets the requirements imposed under the Charter and applicable laws; (f) assisting the Academy in securing additional revenue from other sources; (g) subcontracting of services (excluding the subcontracting of the management and oversight of Instructional services); (h) ensuring that the Academy complies with all the terms of the Charter; (i) providing reasonably requested information on a monthly basis; (j) accountable to the Board for the administration, operation, and performance of the Academy in accordance to the Charter; (k) implement pupil performance evaluations consistent with the Educational Program; (l) plan and supervise special education services; and (m) keep all student and financial records relating to the Academy available at the Academy site.

## **THE ACADEMY FACILITIES**

### **The Sterling Heights Facilities and the Utica Road Facilities**

The Academy offers grades PreK-2 from the Sterling Heights Facilities and grades 3-8 from the Utica Road Facilities. The Sterling Heights Facilities and the Utica Road Facilities are located approximately 3.1 miles apart from each other.

The Sterling Heights Facilities are situated on approximately 2.75 acres include a one-story approximately 23,000 square foot modular building consisting of 19 classrooms, a computer room, and an art room. The Sterling Heights Facilities have a maximum student capacity of 420 students.

The Academy currently ground leases the land on which the Sterling Heights Facilities are located from St. John Greek Orthodox Church pursuant to an agreement dated September 1, 2000, that expires on August 31, 2025. The Sterling Heights Facilities were constructed by the Academy with the proceeds of the Prior Obligations (See “OTHER BORROWINGS AND FUTURE FINANCINGS – The Series 2015 Bonds”). The Academy has received a letter from the church indicating that the church would be willing to extend the ground lease if needed in connection with any Project delay.

The Utica Road Facilities are located on approximately 36 acres and are improved by a one-story approximately 25,000 square foot building consisting of 16 classrooms, technology lab, media center, art room, music room and offices. The Academy Facilities currently have a maximum student capacity of 600 students.

### **The Project**

The Project consists of the construction of an approximately 23,150 square foot addition to the Utica Road Facilities, which will add 15 classrooms, a special education classroom, a multi-purpose room, a music and art room, library/computer lab, and a teachers lounge. The Project is expected to cost approximately \$5,212,500 and be substantially completed by July 31, 2025. Upon completion of the Project, the Utica Road Facilities will expand to a one-story approximately 55,311 square foot educational facility that will have a maximum student capacity of 1,135 students based on building size and 850 students based on the Academy’s current academic programming model.

After the completion of the Project, which is anticipated to be substantially completed by July 31, 2025, the Academy will move grades PreK-2 from the Sterling Heights Facilities to the Utica Road Facilities, thereby consolidating grades PreK-8 into a single campus location. After the completion of the Project and no later than August 31, 2025, the Academy expects to cease the use the Sterling Heights Facilities and expects to operate solely from the Utica Road Facilities. If the Project is delayed, the Academy intends to extend the lease for the Sterling Heights Facilities as described herein, providing the Academy an additional four months to finish the Project.

The Academy is expected to enter into an AIA Form A133-2019 Standard Form of Agreement Between Owner and Construction Manager as Constructor, as modified (the “Construction Contract”) between the Academy and Cunningham-Limp Development Company (the “Contractor”) for a guaranteed maximum price of \$5,212,500. The guaranteed maximum price is expected to include construction contingencies of \$180,000. The Contractor will furnish and install all of the materials and labor and perform all of the work for the Project required by the Academy. The Contractor will provide full payment and performance bonds for the Project. The Construction Contract is not expected to include liquidated damages, but provides for 10% retainage as well as retention of 150% of the estimated

cost of punch list items. The substantial completion deadline is of essence to the Construction Contract and, should the Contractor fail to meet the substantial completion deadline, the Academy has several additional options, including terminating the Construction Contract and filing a claim on the performance bond and/or exercising the option to extend the Ground Lease for the Sterling Heights Facilities as described above.

The Academy expects to provide information about the final guaranteed maximum price for the Project on or about October 25, 2024.

In addition, the Academy expects to engage Partners in Architecture, PLC (the “Architect”) pursuant to a B133-2019, Standard Form of Agreement Between Owner and Architect, Construction Manager as Constructor Edition, as amended.

See “RISK FACTORS – Construction Risks.”

The Academy offers grades PreK-2 from the Sterling Heights Facilities and grades 3-8 from the Utica Road Facilities. The Academy Facilities are located approximately 3.1 miles apart from each other.

*Construction Budget and Schedule.* The table below shows the estimated construction budget, as prepared by the Construction Manager.

<b>Budget Component</b>	<b>Budgeted Amount (\$)</b>
Sitework	564,000
Building development	3,948,500
General project costs	524,000
Construction manager fee	152,000
Payment and performance bonds	40,000
Contingency	180,000
<b>Total</b>	<b>5,408,500</b>

The table below shows the estimated construction schedule, including other important dates, as prepared by the Construction Manager.

<b>Event</b>	<b>Expected Date</b>
Site plan approval drawings completed	Completed
Finalize construction budget and execute GMP	by October 25, 2024
Receive permits	by February 7, 2025
Commence construction	by February 17, 2025
Complete landscaping and site paving	by July 21, 2025
Substantial completion	by August 14, 2025
1st day of school	on/about September 2, 2025

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## Renderings of the Project

The pictures below show the Academy's concept plan and a rendering of the Project.



## Project Design and Construction

The Project is designed by the Architect, pursuant to the Architect Contract. The Architect is a full-service architecture, planning and sustainable design firm. The Architect regularly provides services to local, state and federal

governments, schools, colleges and universities, as well as retail, institutional and industrial clients. The Architect provided the following services:

**Architectural**

- Facility Programming
- Schematic Design
- Design Development
- Presentation Drawings
- Construction Documentation
- Interior Architecture
- Furniture, Fixture & Equipment
- Move Management

**Specialty**

- Facility Condition Assessments
- Site/Master Planning
- Landscape Architecture
- Site Plan Approval Services
- Zoning & Variance Requests
- 3D Computer Modeling
- Security/Safety Planning
- Technology Design

**Engineering**

- Value Analysis
- Civil
- Structural
- Mechanical
- Electrical
- System Analysis
- Lighting Design
- Life Cycle Costing

The Construction Manager is a diversified real estate firm that specialized in development, design, and construction. The firm has a team of real estate experts, financial advisors, architects, engineers, and construction professionals. The Construction Manager has completed projects in 21 different states, including Michigan.

**The Mortgage**

The Academy will grant a mortgage on the Utica Road Facilities to the Trustee pursuant to a Mortgage, dated as of November 1, 2024 (the “Mortgage”). The Academy’s Sterling Heights Facilities are not part of the Mortgage and do not secure the Series 2024 Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS,” and APPENDIX E – “FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT.”

**No Appraisal**

Neither the Academy nor any other party to the issuance of the Series 2024 Bonds has obtained an appraisal of the Utica Road Facilities in connection with the offering of the Series 2024 Bonds.

In the event of a foreclosure, there can be no assurance that the value of the Utica Road Facilities or the amount received for the Utica Road Facilities will be sufficient to pay the principal of and interest due on the Series 2024 Bonds. See “RISK FACTORS — No Appraisal.”

**Environmental Report**

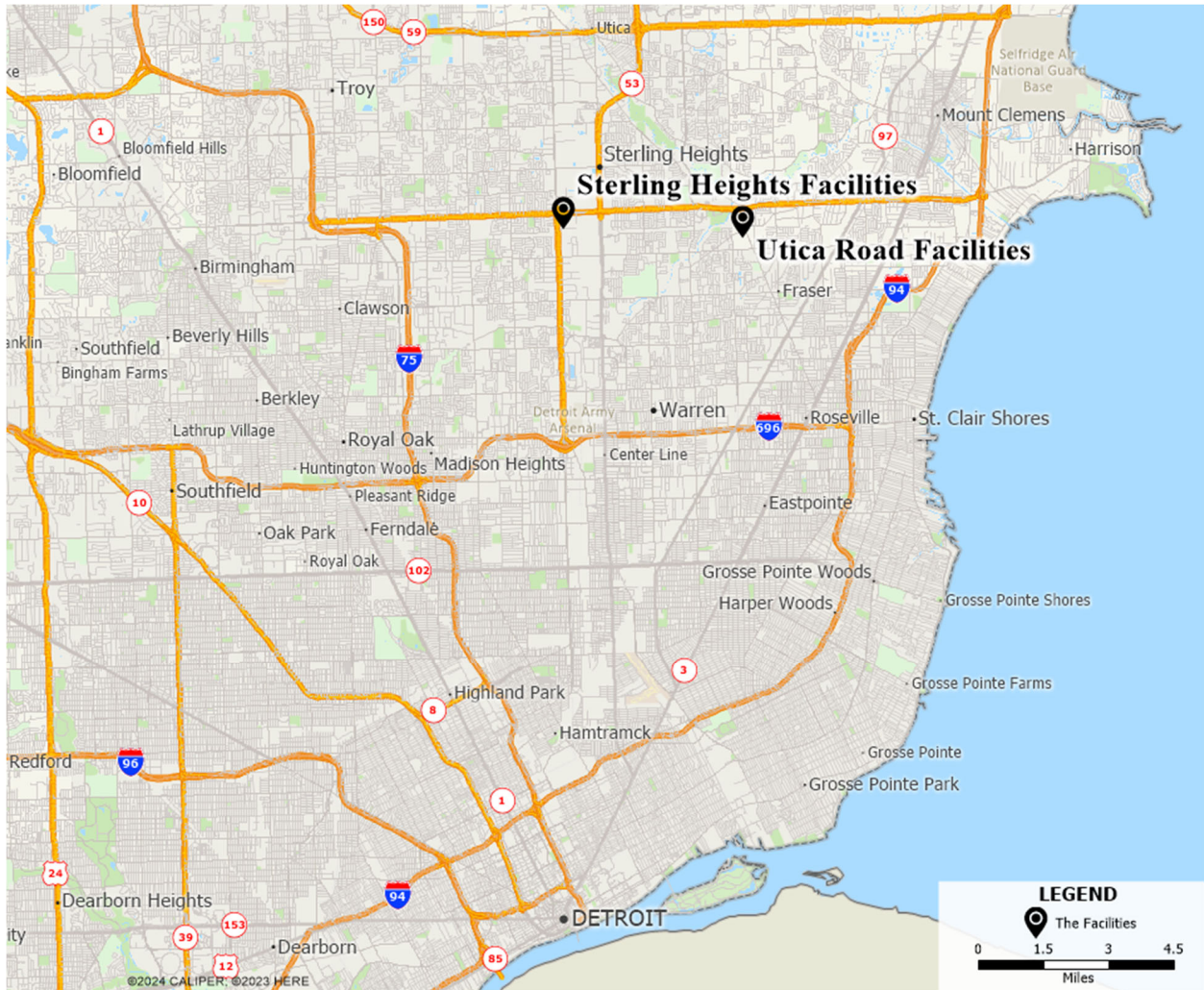
Weaver Consultants Group, LLC (the “Consultant”) conducted a Phase I Environmental Site Assessment of the Utica Road Facilities described in its report dated August 27, 2024 (the “Environmental Report”), which revealed no evidence of recognized environmental conditions (“RECs”), controlled RECs, historical RECs, or de minimis conditions in connection with the subject property. In addition, no significant data gaps were identified during the assessments conducted.

The Environmental Report speaks only as of its date, and the Consultant has not been asked to perform any additional assessments since the time of the assessments described in the Environmental Report. Further, the Environmental Report is subject to the limitations specified therein. More generally, no environmental assessment can completely eliminate uncertainty regarding the potential for recognized environmental conditions in connection with a subject property. Potential investors must refer to the complete Environmental Report for a full understanding of such limitations, and for additional information pertinent to the assessments. Costs incurred by the Academy with respect to environmental remediation or liability could adversely affect the financial condition thereof.

See “RISK FACTORS – Environmental Regulation.”

## Map of the Academy Facilities

The map below shows the locations of the Academy Facilities, which are located approximately 3.1 miles apart and approximately 15 and 17 miles from Detroit, Michigan.



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## ENROLLMENT

### Historical, Current and Projected Enrollment

The table below shows historical enrollment for 2021-22 through 2023-24 school years, current enrollment for the 2024-25 school year as of September 24, 2024, and projected enrollment from the 2024-25 through 2028-29 school years. Historical enrollment is as of the Fall Count Date each school year.

Grades	Historical			Current	Projected			
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
<b>K</b>	84	102	92	99	100	100	100	100
<b>1</b>	80	67	91	87	95	95	97	97
<b>2</b>	75	79	76	87	86	86	87	90
<b>3</b>	74	76	75	74	75	76	81	81
<b>4</b>	72	71	74	73	78	78	78	80
<b>5</b>	67	75	68	73	73	73	75	78
<b>6</b>	70	67	71	70	70	75	75	75
<b>7</b>	45	66	54	70	67	73	75	75
<b>8</b>	57	41	60	48	52	55	58	65
<b>K-8 Enrollment</b>	<b>624</b>	<b>644</b>	<b>661</b>	<b>681</b>	<b>696</b>	<b>711</b>	<b>726</b>	<b>741</b>
PreK	29	28	30	29	30	30	30	30

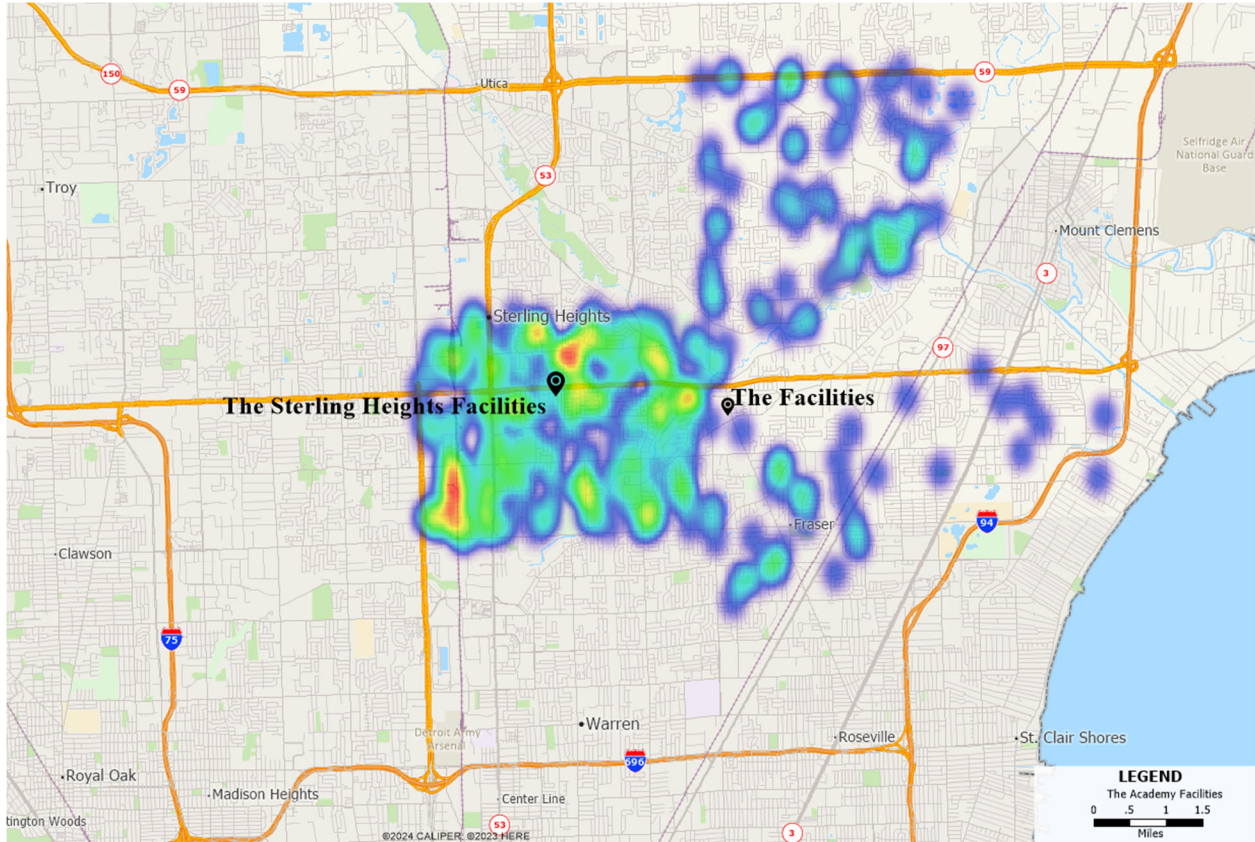
### Resident Districts

The Academy Facilities are located within the boundaries of the Sterling Heights and Clinton Township and within the school district served by Macomb County School District. The table below shows the school district where the students reside, the ZIP code for that school district, the number of students from that residing district, and the percentage of total enrollment from the top four ZIP codes from which the Academy draws most of its enrolled students, as of the 2023-24 school year.

<u>Enrollment by ZIP Code</u>			
District Name	ZIP Code	Number of Students	Percentage of Total Enrollment
Chippewa Valley Schools	48038	67	10.1%
Utica Community	48312	226	34.2%
Clintondale Community Schools	48035	12	1.8%
Fraser Public Schools	48026	24	3.6%

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Below is a heat map showing concentrations of students, by zip code, relative to the location of the Academy Facilities.



### Enrollment Process and Wait List

*Enrollment Process.* The admissions policy for the Academy is developed based on the language of the State law, which refers to a charter school as a “public school academy”. A public school academy authorized by a state public university, enrollment is open to all students who reside in the State who meet the admission policy. The Academy does not charge tuition to students in grades K-8 nor discriminate in admissions policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude, status as a handicapped person, religion, creed, race, sex, color or national origin.

The Academy’s open-enrollment window is tentatively set for the third week of February to the second week of March of each year (the “Open Enrollment Period”). If more applications are received than there are seats available, a random selection lottery takes place to determine which applicants are offered an available seat and also determines the order of the waiting list. If fewer applications have been received than there are seats available, all students are accepted to attend the Academy.

The order of priority in which spaces for each grade are filled is as follows:

- A waiting list is established when a surplus of applications for a grade exists. Waiting list members are given a number as to their place on the list and are enrolled based upon their position on the list with one exception for sibling preference.
  - Sibling Preference - Students placed on a waiting list are admitted in order of their placement. However, siblings of currently enrolled students move to the top of the waiting



list in accordance with the principles of rule MCL §§ 380.5041(3) of the Revised School Code.

- When there is no lottery or after the lottery is completed, additional student applications are placed on the waiting list on a “first come” basis. Parents notified of an available seat have 48 hours to accept or decline.

*Wait List.* After the lottery, if a space in a grade becomes available, the space will be offered to the next available applicant. The Academy does not roll over the wait list from year-to-year. The wait list is purged after February each year. The table below shows the Academy’s wait list for the 2021-22 through 2023-24 school years as of October each year and the wait list for the 2024-25 school year as of September 24, 2024.

Grades	2021-22	2022-23	2023-24	2024-25
<b>K</b>	-	5	5	8
<b>1</b>	5	4	7	8
<b>2</b>	-	13	7	7
<b>3</b>	-	13	19	13
<b>4</b>	-	9	11	11
<b>5</b>	3	17	10	10
<b>6</b>	3	10	14	19
<b>7</b>	1	11	21	9
<b>8</b>	-	7	5	9
<b>Total</b>	<b>12</b>	<b>89</b>	<b>99</b>	<b>94</b>

**Student Retention**

The table below shows student retention for the listed school years. Retention is calculated based on the number of students who re-enrolled at the Academy from the prior school year. Historical retention is as of the Fall Count Date and as of August 2024 for the 2024-25 school year. Retention for the 2021-22 school year is not available.

	2022-23	2023-24	2024-25
Student Retention	90%	88%	96%

**Student Attendance Rate**

The table below shows the student attendance percentages for the listed school years based on the entire school population.

	2021-22	2022-23	2023-24
Attendance Rate	90%	91%	90%

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## Student Demographics

The table below shows the racial and ethnic diversity and other demographic information for the student population for the 2020-21 through 2023-24 school years as of the certified Fall Count Date.

	2021-22	2022-23	2023-24
American Indian	0.6%	0.2%	0.2%
Asian	4.6%	4.7%	4.7%
Black/African American	26.1%	25.2%	27.7%
Native Hawaiian/Pacific Islander	0.0%	0.0%	0.2%
White	59.3%	62.3%	61.6%
Hispanic/Latino	2.4%	2.5%	1.7%
Multiracial	6.9%	5.3%	4.1%
Students with Disabilities	7.7%	6.0%	6.2%
Economically Disadvantaged	62.0%	61.8%	70.0%
English Language Learner ("ELL")	30.0%	30.0%	27.0%

## FACULTY

All teachers, administrators, and other staff are employed by CSP. All of the teachers are credentialed or approved for credentialing and meet State requirements for public education instructors. The table below shows historical, current and projected staffing of the Academy for each of the listed school years.

	Historical			Current	Projected			
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Teachers	31	28	28	29	30	30	30	30
Day-to-Day Substitute Teachers	4	3	9	5	5	5	5	5
Administrators	2	3	3	2	2	2	2	2
Paraprofessional/Aides	6	4	8	6	6	6	6	6
Other Staff	16	10	16	16	14	13	13	13
<b>Total Staff</b>	<b>59</b>	<b>48</b>	<b>64</b>	<b>58</b>	<b>57</b>	<b>56</b>	<b>56</b>	<b>56</b>

## Faculty Retention

The table below shows teacher retention for the Academy for the listed school years. The numbers for each school year listed reflect the percentage of teachers who returned to the Academy from the prior year.

	2021-22	2022-23	2023-24	2024-25
Teacher Retention Rate	88%	88%	96%	<i>Not available</i>
All Faculty Retention Rate	85%	86%	90%	<i>Not available</i>

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## Teacher Education

The table below shows the percentage of teachers at the Academy who have earned the listed type of degree as their highest level of education, as applicable, as of the 2024-25 school year.

Bachelor's	Master's	Doctorate
61.48%	36.62%	1.90%

## Average Teacher Salaries

The table below shows the average teacher salary of teachers for the Academy and the school districts from which the Academy draws most of its enrolled students for the listed school years.

	2021-22	2022-23	2023-24
The Academy	48,256	50,733	52,162
Chippewa Valley Schools	62,614	62,614	66,494
Utica Community	58,120	58,120	63,070
Clintondale Community Schools	51,493	55,022	55,022
Fraser Public Schools	53,993	55,519	55,519

## SERVICE AREA AND COMPETING SCHOOLS

### Competitor Schools

The majority of the Academy's students reside in Sterling Heights. The table below shows certain basic information for the Academy and for schools the Academy has identified as competitors.

School	Distance from the Utica Facilities	Grades	Economically Disadvantaged 2023-24 (%)	Type	City
<b>The Academy</b>	-	<b>K-8<sup>4</sup></b>	<b>70.05</b>	<b>Charter</b>	<b>Sterling Heights</b>
Bruce Collins Elementary	0.20	K-8	59.14	Traditional Public	Sterling Heights
Oakbrook Elementary School	0.75	K-8	58.86	Traditional Public	Sterling Heights
Messmore Elementary School	0.80	K-8	81.98	Traditional Public	Sterling Heights
Willow Woods Elementary School	0.80	K-5	78.22	Traditional Public	Sterling Heights
Dekeyser Elementary School	1.30	K-8	52.55	Traditional Public	Sterling Heights

<sup>4</sup> Grades K-2 currently operated from the Sterling Heights Facilities. After the completion of the Project, the Academy will move grades PreK-2 from the Sterling Heights Facilities to the Utica Road Facilities, thereby consolidating grades PreK-8 into a single campus location. After the completion of the Project, the Academy expects to cease the use the Sterling Heights Facilities and expects to operate solely from the Utica Road Facilities.

## DEMOGRAPHIC INFORMATION

*Population and Demographic Information.* The table below shows certain demographic statistics for Sterling Heights, Clinton Township, Macomb County and the State, as reported by the U.S. Census Bureau.

	Sterling Heights	Clinton Township	Macomb County	The State
Population, estimate, July 1, 2023	133,306	99,377	875,101	10,037,261
Population, census, April 1, 2020	134,346	100,513	881,217	10,077,331
Population, census, April 1, 2010	129,699	96,796	840,978	9,883,640
Population change (2010-23) (%)	2.8	2.7	4.1	1.6
Population change (2020-23) (%)	(0.8)	(1.1)	(0.7)	(0.4)
Persons <5 years, 2022 (%)	5.4	4.8	5.1	5.3
Persons <18 years, 2022 (%)	20.2	19.1	20.5	21.0

*Housing.* The table below shows certain housing demographics for Sterling Heights, Clinton Township, Macomb County and the State, as reported by the U.S. Census Bureau except as noted otherwise.

	Sterling Heights	Clinton Township	Macomb County	The State
Housing units, July 1, 2023	<i>Not Available</i>	<i>Not Available</i>	375,225	4,643,473
Households, 2018-22*	50,989	44,613	354,251	4,009,253
Median value of owner-occupied housing units, 2018-22* (\$)	243,400	198,800	216,200	201,100
Owner-occupied housing unit rate, 2018-22* (%)	76.0	64.5	74.8	72.5
Median gross rent, 2018-22* (\$)	1,215	1,110	1,124	1,037
Building permits, 2023	<i>Not Available</i>	<i>Not Available</i>	1,263	20,592

\* Yearly average over five-year period.

*Income and Employment.* The table below shows computer and internet access, income, poverty rate and employment statistics for Sterling Heights, Clinton Township, Macomb County and the State, as reported by the U.S. Census Bureau.

	Sterling Heights	Clinton Township	Macomb County	The State
Households with a computer, 2018-22* (%)	95.2	93.0	94.3	93.4
Households with a broadband internet subscription, 2018-22* (%)	92.7	89.9	91.2	87.8
Total percentage, population 16+ years (2018-22*)	62.2	63.7	63.9	61.4
Median household income, 2018-22* (\$)	75,381	68,987	73,876	68,505
Total employment, 2022	<i>Not Available</i>	<i>Not Available</i>	322,137	3,939,076
Persons in poverty, 2022 (%)	10.3	10.6	9.8	13.4

\* Yearly average over five-year period.

The tables below provide detailed information on personal income and its changes year-over-year for the State and the County, as reported by the Bureau of Economic Analysis, U.S. Department of Commerce.<sup>5</sup>

Description	<u>The State</u>				
	2018	2019	2020	2021	2022
Personal Income (\$mils)	474,208	489,493	531,530	568,132	572,325
Population (# persons)	10,070,610	10,078,236	10,070,627	10,038,117	10,033,281
Per Capita Personal Income (\$)	47,088	48,569	52,780	56,597	57,043

Description	<u>Macomb County</u>				
	2018	2019	2020	2021	2022
Personal Income (\$Ks)	40,258,412	41,307,152	44,785,665	47,139,119	47,046,713
Population (# persons)	879,936	881,197	880,176	877,385	874,195
Per Capita Personal Income (\$)	45,752	46,876	50,883	53,727	53,817

*Employers.* The table below shows the top ten employers in Macomb County, as reported in its 2022 Annual Comprehensive Financial Report.

Rank	Company	Industry	Total Employees
1	General Motors	Automotive	25,306
2	Stellantis NV	Automotive	17,774
3	U.S. Government	Government	6,943
4	Ford Motor Company	Automotive	3,990
5	Ascension Michigan	Healthcare	2,937
6	Utica Community Schools	Education	2,640
7	Macomb County	Local Government	2,429
8	Henry Ford Health System	Healthcare	2,201
9	McLaren Health Care System	Healthcare	1,969
10	General Dynamics Land Systems	Defense	1,826

## ACADEMIC PERFORMANCE

### Every Student Succeeds Act (“ESSA”)

In 2015, Congress passed the Every Student Succeeds Act, Public Act 114-95 (“ESSA”), replacing the No Child Left Behind Act of 2002. ESSA offers new flexibility to states and local districts and provides opportunities for the State to improve the way it supports students and schools, trains and evaluates educators, assesses student learning, and holds schools accountable for results.

### Statewide Accountability System under ESSA

The State’s Department of Education (“MDE”) developed its ESSA Plan, which was approved by the U.S. Department of Education in November 2017. The ESSA Plan aligns with state goals to be a Top 10 education state in 10 years and describes the State’s federally required accountability system. Under the ESSA Plan, the State implemented a statewide accountability system consisting of a transparency dashboard produced annually, coupled with an index-based system to identify comprehensive support, targeted support, and additional targeted support

<sup>5</sup> The statistics were last updated for the State and the County in September 2023 and November 2023, respectively.

schools on a three-year identification cycle. These are used to determine future levels of support for a school. The accountability system under the ESSA Plan was implemented beginning with the 2017-18 school year.

The goal of the State’s accountability system is to identify and support the schools that are struggling the most to help students meet the State’s standards. In order to achieve this, the State developed a process that is transparent; holds schools accountable; and provides varying levels of federal, state, and local supports aimed at improving the capacity of consistently low-performing schools to improve student results.

Under the ESSA Plan, the State provides one system and is comprised of two key elements: Michigan’s Parent Dashboard for School Transparency<sup>6</sup> and Michigan School Index System<sup>7</sup>.

### Michigan’s Parent Dashboard for School Transparency

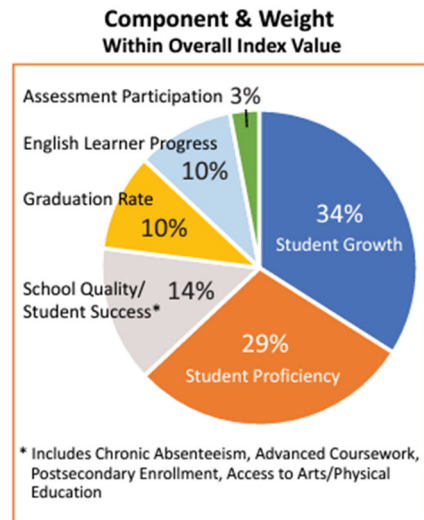
The parent dashboard provides easy access to reports on multiple measures that are important to families. The data derived from the parent dashboard can inform decisions and encourage conversations about school progress between students, parents, school leaders and within communities throughout the State.

### Michigan School Index System

The Michigan School Index System (the “Index System”), launched in March 2018, reports the degree to which schools are meeting performance targets in six areas required by ESSA. A school’s index value can range from 0-100, with a score of 100 indicating a school has met or exceeded targets in every area and for each student subgroup. The Index System identifies low-performing schools in three federally required categories: Comprehensive Support and Improvement (“CSI”), Targeted Support and Improvement (“TSI”), and Additional Targeted Support (“ATS”).

Unlike previous state accountability systems, the State’s Index system does not rank schools or “flag” them for sanctions. Rather, its goal is to facilitate a culture of continuous improvement in the State’s lowest performing schools. The Index System offers data as a guide to allow school leaders to make evidence-informed decisions about what best will serve students. The graph to the right shows the component and weight of the Index System.

The State identifies schools with the Index System using data from the most recent full year of data collected. All schools receive an overall index value based on the areas seen in the graphic above. They also receive index values for each individual component and student subgroup. Schools with the lowest overall or subgroup index values, or 4-year cohort graduation rates, will be identified for support in one of the three categories: CSI, TSI or ATS. Schools with valid student subgroup(s) have an overall index value calculated for each subgroup. Valid subgroups are those that contain at least 30 students. In addition to receiving an overall value, subgroup values are calculated for each component. Student subgroups include: Racial/Ethnic; Economically Disadvantaged; Students with Disabilities; and English Learners.



Identified schools are supported through a combination of state, regional, and local services. Some schools identified for improvement find that they are facing opportunity gaps in only a few areas, while others look to effect change on a larger scale. Schools whose Index scores indicate the greatest need for improvement are invited to participate in the State’s “Partnership Model”, established to provide intensive State collaboration with schools and districts as they develop locally driven solutions and plan supports for struggling students moving forward.

<sup>6</sup> [www.mischooldata.org/ParentDashboard/](http://www.mischooldata.org/ParentDashboard/)

<sup>7</sup> [www.mischooldata.org](http://www.mischooldata.org)

The Index System awards credit to schools in each of several areas, or components, based on the degree to which the school meets its targets in each area. The index system measures school performance in five components for elementary and middle school and a sixth component (graduation rates) for schools with grades 11 and 12. Index values ranging from 0-100 are generated for nearly all public schools. ESSA requires the components of Proficiency, Growth, English Learner (“EL”) Progress, and Graduation Rate as a group be given more weight than the School Quality component. The table on the following page shows the Index System components, characteristics, and values.

Weight	Component (Index Value 0-100)	Grades, Tests and Components Included
29%	<b>Proficiency</b> Percent of students meeting the State’s academic standards	<b>Grades 3-8 &amp; 11 includes:</b> <ul style="list-style-type: none"> <li>- M-STEP, SAT, and MI-Access tests in English language arts and mathematics (averaged)</li> <li>- Includes only students attending for a full academic year</li> <li>- Performance of all subgroups with 30 or more students</li> <li>- Participation rate below 95% impacts (lowers) score</li> </ul>
34%	<b>Growth</b> Percent of students on a path to become proficient, or to maintain proficiency, within a specific timeframe	<b>Grades 4-8 &amp; 11 includes:</b> <ul style="list-style-type: none"> <li>- M-STEP, SAT, &amp; MI-Access tests in English language arts and mathematics (averaged)</li> <li>- Only students attending a school for a Full Academic Year are included</li> <li>- Performance of all subgroups with 30 or more students</li> </ul>
14%	<b>School Quality</b> Combines five components into a single index score  <i>Schools not having one or more components will have the component’s weight redistributed proportionally to remaining components</i>	<b>All schools</b> <ul style="list-style-type: none"> <li>- Chronic Absenteeism (4%)</li> </ul> <b>Schools with grades K-8</b> <ul style="list-style-type: none"> <li>- Access to Arts/Physical Education (4%)</li> <li>- Access to Librarians/Media Specialists (1%)</li> </ul> <b>Schools with grades 11-12</b> <ul style="list-style-type: none"> <li>- Advanced Coursework (3%)</li> <li>- Postsecondary Enrollment (2%)</li> </ul>
10%	<b>Graduation Rate</b> Percent of public high school students who, after beginning ninth grade four, five or six years ago, graduated  <i>Schools without this component will have this component’s weight redistributed proportionally to remaining components</i>	<b>4-, 5- and 6-year rates are combined into an average includes:</b> <ul style="list-style-type: none"> <li>- Performance of all subgroups with 30 of more students</li> <li>- Students completing a registered Early College program are considered 4-year graduates</li> </ul>
10%	<b>English Learner (EL) Progress</b> Percent of English Learners showing proficiency or adequate growth  <i>Includes only students enrolled for a Full Academic Year</i>	<b>Grades K-12</b> <ul style="list-style-type: none"> <li>- WIDA Access</li> <li>- Includes only English Learners (EL)</li> </ul>
3%	<b>Assessment (State Test) Participation</b> Includes two weighted subcomponents combined to a single index score	<b>95% Participation on State Assessment</b> <ul style="list-style-type: none"> <li>- Content area participation (2%): M-STEP, SAT, MiAccess</li> <li>- English Learner participation (1%): WIDA</li> </ul>

*Supports and resources.* All identified schools receive support, however the type of support and resources available may differ depending on a school’s designation category (CSI, TSI or ATS).

- **CSI Schools** – districts with CSI schools have the opportunity to develop and implement Partnership Agreements. A Partnership Agreement offers districts consultants and resources, and it allows them to combine state- and community-level support systems to drive improvement and self-accountability. In the cases where a CSI school is in a district that already is implementing a

Partnership Agreement, the newly-identified CSI schools are incorporated into the existing agreement. CSI schools in districts not developing Partnership Agreements will develop a CSI improvement plan and remain eligible for supports through the MDE and their Intermediate School District (ISD). Supports provided to the district include assistance in developing, implementing, and monitoring implementation of the CSI plan. CSI plans are monitored by the MDE. The district is given a state-determined amount of time to show improvement of the school. If at the end of that time sufficient progress has not been made, then more rigorous actions as determined by the State must be taken.

- **TSI Schools** – primarily receive supports from their local district. Schools must identify the need(s) of the recognized student group(s) and work with their district to develop a plan to meet those needs. The resulting plan is monitored by the district. Districts and their TSI schools are eligible for State provided support in developing, implementing, and monitoring the “Blueprint for Systemic Reconfiguration” and “Multi-Tiered Systems of Support”, and conducting and analyzing the results of the “Comprehensive Needs Assessment”. The supports are provided at no cost and participation is optional. The school is given a district-determined amount of time to show improvement with the student group; if sufficient progress has not been made in that time the district must determine which additional actions are appropriate.
- **ATS Schools** – receive state-supported, locally provided assistance. Schools must identify the need(s) of the identified student group(s) and work with their district to develop a plan to meet those needs. Districts and their ATS schools are also eligible for the state-provided TSI supports described above. These are provided at no cost and are optional. The plan will be monitored by the district. The school is given a state-determined amount of time to show improvement with the student group; if sufficient progress has not been made in that time the school will become a Comprehensive Support school.

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The table below shows the School Index for the Academy and for schools the Academy has identified as competitors for the 2022-23 and 2021-22 school years.<sup>8</sup>

<b>2022-23</b>						
<b>School</b>	<b>The Academy</b>	<b>Bruce Collins Elementary</b>	<b>Oakbrook Elementary School</b>	<b>Messmore Elementary School</b>	<b>Willow Woods Elementary School</b>	<b>Dekeyser Elementary School</b>
Grades	3-8	K-8	K-8	K-8	K-5	K-8
Overall	70.78	89.57	93.39	99.17	89.35	90.81
Growth	84.41	92.34	98.15	100.00	100.00	100.00
Proficiency	43.53	78.77	83.09	100.00	74.09	92.13
Graduation Rate	N/A	N/A	N/A	N/A	N/A	N/A
English Learner Progress	73.55	100.00	100.00	N/A	100.00	74.17
School Quality and Student Success	86.08	95.5	97.05	95.32	85.25	96.37
Assessment Participation	100.00	100.00	100.00	100.00	100.00	100.00
<b>Performance:</b>						
ELA	37%	51%	57%	80%	38%	66%
Math	22%	44%	51%	76%	36%	55%
Science	30%	49%	45%	67%	26%	53%
Social Studies	18%	26%	30%	37%	17%	33%
<b>Progress:</b>						
ELA	50%	51%	64%	69%	70%	66%
Math	36%	49%	56%	75%	61%	71%
English Learner	34%	44%	47%	<10*	45%	32%

<b>2021-22</b>						
<b>School</b>	<b>The Academy</b>	<b>Bruce Collins Elementary</b>	<b>Oakbrook Elementary School</b>	<b>Messmore Elementary School</b>	<b>Willow Woods Elementary School</b>	<b>Dekeyser Elementary School</b>
Grades	3-8	K-8	K-8	K-8	K-5	K-8
Overall	64.87	77.76	83.59	96.34	58.7	90.51
Growth	77.31	73.3	95.85	100.00	N/A	92.01
Proficiency	46.39	75.36	75.59	100.00	52.45	90.27
Graduation Rate	N/A	N/A	N/A	N/A	N/A	N/A
English Learner Progress	64.07	98.70	72.33	N/A	52.73	100.00
School Quality and Student Success	66.07	73.85	74.85	79.34	67.04	78.62
Assessment Participation	100.00	100.00	99.87	100.00	100.00	100.00
<b>Performance:</b>						
ELA	42%	53%	57%	76%	33%	67%
Math	26%	42%	47%	75%	29%	53%
Science	35%	52%	30%	57%	28%	61%
Social Studies	11%	29%	21%	24%	15%	37%
<b>Progress:</b>						
ELA	56%	69%	82%	87%	N/A	82%
Math	37%	28%	54%	78%	N/A	46%
English Learner	38%	58%	42%	<10*	31%	65%

<sup>8</sup> Statistics provided by the MiSchool Data website; School Index and Parent Dashboard for Transparency. Asterisks indicate that there are not enough students in a particular category to populate a result.

## Michigan Education Assessment Tests

Each school year, all public school students in Michigan take a State summative assessment test which measures what students know and are able to do at specific grade levels and in specific subject areas. All of the State’s assessment tests measure student progress with the State’s content standards or other career-or college readiness goals.

The Michigan Student Test of Educational Progress (“M-STEP”) is given to students online in grades 3 through 7 to measure their knowledge of State standards in ELA and mathematics. Science and social studies standards are measured by M-STEP in grades 5 and 8. High school students take the PSAT™ 8/9 in grade 9 and PSAT 10 in grade 10, to inform schools, students, and parents on what students know in ELA and mathematics, and help prepare students for the SAT college entrance exam given to every high school junior as part of the Michigan Merit Examination (“MME”). The MME consists of a free SAT® with Essay that also measures student knowledge on State ELA and mathematics standards, M-STEP science and social studies components, and a work skills assessment called ACT® WorkKeys®.

The following tables show the percentage of students that scored advanced or proficient on M-STEP for grades 3-7 and PSAT for grade 8 for the 2023-24 through 2021-22 school years for the Academy, Macomb ISD, Chippewa Valley Schools, Utica Community, Clintondale Community Schools, Fraser Public Schools, and the State.<sup>9</sup>

Grade	Assessment Program	School Year	ELA						
			The Academy	Chippewa Valley Schools	Utica Community	Clintondale Community Schools	Fraser Public Schools	Macomb ISD	State
3	M-STEP	2023-24	26.8%	42.1%	47.3%	10.1%	33.2%	37.1%	39.6%
		2022-23	23.7%	43.1%	52.9%	16.1%	29.1%	40.0%	40.9%
		2021-22	45.2%	47.4%	54.6%	26.2%	39.4%	42.4%	41.6%
4	M-STEP	2023-24	29.9%	46.0%	51.2%	10.4%	37.5%	41.0%	43.3%
		2022-23	34.8%	48.8%	53.0%	35.3%	42.7%	43.5%	44.3%
		2021-22	41.1%	45.9%	54.8%	15.2%	36.5%	42.2%	43.4%
5	M-STEP	2023-24	31.8%	56.2%	53.4%	29.0%	48.3%	44.9%	44.0%
		2022-23	36.1%	49.4%	55.5%	20.0%	41.5%	44.8%	43.9%
		2021-22	40.3%	49.5%	55.3%	16.4%	37.9%	43.2%	43.1%
6	M-STEP	2023-24	36.6%	37.7%	52.4%	15.1%	47.1%	37.7%	37.5%
		2022-23	34.9%	42.7%	54.5%	14.0%	43.9%	38.4%	37.5%
		2021-22	27.1%	42.3%	54.2%	14.7%	35.8%	37.6%	37.6%
7	M-STEP	2023-24	25.0%	41.4%	46.9%	11.9%	51.4%	38.2%	37.9%
		2022-23	32.8%	40.1%	47.0%	10.8%	39.4%	36.3%	36.9%
		2021-22	35.7%	40.5%	46.3%	16.2%	43.5%	36.9%	37.7%
8	PSAT	2023-24	73.7%	72.0%	71.7%	33.7%	68.3%	65.1%	64.5%
		2022-23	76.3%	67.0%	68.9%	31.9%	57.4%	60.7%	59.7%
		2021-22	66.7%	66.0%	67.5%	42.1%	53.3%	60.5%	59.7%

<sup>9</sup> Statistics provided by MiSchool Data website; Grades 3-8 State Testing (Includes PSAT Data) Proficiency. The PSAT assessment is a different test than the M-STEP assessment and results should not be directly compared. Asterisk indicates that there are not enough students in a particular category to populate a result.

Grade	Assessment Program	School Year	Mathematics						
			The Academy	Chippewa Valley Schools	Utica Community	Clintondale Community Schools	Fraser Public Schools	Macomb ISD	State
3	M-STEP	2023-24	31.0%	47.8%	50.4%	22.5%	44.7%	40.9%	43.4%
		2022-23	14.5%	51.9%	53.0%	19.6%	39.1%	41.9%	42.9%
		2021-22	28.8%	55.0%	54.9%	34.0%	49.3%	42.9%	41.5%
4	M-STEP	2023-24	17.9%	36.5%	40.1%	9.0%	32.5%	34.3%	39.1%
		2022-23	10.1%	43.7%	42.0%	11.8%	40.4%	36.0%	38.6%
		2021-22	24.7%	40.9%	39.5%	8.9%	35.8%	32.8%	36.7%
5	M-STEP	2023-24	16.7%	37.6%	39.3%	15.0%	33.2%	32.4%	32.6%
		2022-23	19.4%	40.5%	37.8%	5.2%	35.3%	31.4%	31.5%
		2021-22	13.4%	40.6%	35.5%	≤5%	33.5%	30.3%	30.0%
6	M-STEP	2023-24	19.7%	34.5%	39.6%	5.8%	40.3%	30.5%	31.0%
		2022-23	19.0%	34.2%	41.2%	≤5%	35.9%	29.1%	29.6%
		2021-22	27.1%	30.7%	40.8%	≤5%	32.7%	27.4%	28.4%
7	M-STEP	2023-24	30.8%	41.2%	39.3%	≤5%	39.9%	30.8%	32.1%
		2022-23	25.4%	39.7%	40.9%	≤5%	41.0%	30.2%	31.0%
		2021-22	30.2%	37.5%	40.9%	5.6%	37.1%	29.1%	30.2%
8	PSAT	2023-24	38.6%	37.4%	43.3%	≤5%	29.4%	31.2%	32.6%
		2022-23	60.5%	44.0%	47.6%	8.9%	33.0%	35.7%	36.3%
		2021-22	33.3%	42.5%	45.3%	13.2%	30.8%	35.4%	36.2%

Grade	Assessment Program	School Year	Science						
			The Academy	Chippewa Valley Schools	Utica Community	Clintondale Community Schools	Fraser Public Schools	Macomb ISD	State
5	M-STEP	2023-24	*	45.1%	45.6%	*	36.1%	38.4%	40.4%
		2022-23	*	42.1%	45.7%	*	35.1%	36.9%	38.9%
		2021-22	*	39.7%	46.8%	*	34.9%	37.0%	38.2%
8	M-STEP	2023-24	*	40.5%	43.4%	*	37.0%	35.4%	38.8%
		2022-23	*	39.5%	40.5%	*	41.6%	34.1%	37.4%
		2021-22	*	41.3%	39.4%	*	33.2%	34.4%	36.3%

Grade	Assessment Program	School Year	Social Studies						
			The Academy	Chippewa Valley Schools	Utica Community	Clintondale Community Schools	Fraser Public Schools	Macomb ISD	State
5	M-STEP	2023-24	7.6%	23.1%	22.4%	≤5%	14.5%	17.1%	18.9%
		2022-23	12.5%	23.7%	22.0%	≤5%	14.9%	16.6%	18.6%
		2021-22	≤5%	17.3%	19.7%	≤5%	10.7%	14.2%	15.5%
8	M-STEP	2023-24	24.6%	31.3%	36.8%	≤5%	21.3%	26.9%	29.7%
		2022-23	28.2%	29.4%	32.5%	≤5%	25.9%	23.9%	26.7%
		2021-22	19.3%	28.4%	29.5%	8.0%	18.5%	23.4%	26.3%

### NWEA Measure of Academic Performance

The Academy also uses the Northwest Evaluation Association (“NWEA”) Measures of Academic Progress (“MAP”) assessments to measure student academic performance. NWEA MAP assessments are national on-line computer-adaptive tests. The test adjusts to each student as he or she is taking the test. Students typically take NWEA

MAP assessments three times each school year in reading and mathematics. Tests are self-paced, and most students complete one subject’s testing in 60 minutes.

The tables below show the Academy’s performance on the NWEA MAP Assessments in math and language arts (reading) from the fall and spring of the 2021-22 through 2023-24 school years.

	NWEA Assessments – Math		
	2021-22	2022-23	2023-24
Median Achievement Percentile	44	44	50
Median Growth Percentile	40	42	61
Percentage of Students Meeting Growth Goals	41	43	63

	NWEA Assessments – ELA		
	2021-22	2022-23	2023-24
Median Achievement Percentile	51	49	51
Median Growth Percentile	46	44	47
Percentage of Students Meeting Growth Goals	49	51	49

**Median Achievement Percentile** – indicates how well a student performed in comparison to similar students in the norm group.

**Median Growth Percentile** – indicates how well a student grew in comparison to similar students in the norm group.

**Percentage of Students Meeting Growth Goals** – the percentage of students whose end-term scores met or exceed their individual growth projections.

#### NO LITIGATION

As of the date of the Official Statement, the Academy is not the subject of any litigation or administrative proceedings. Litigation may arise in the normal course of business of the Academy. See “NO LITIGATION” in the forepart of this Official Statement.

#### STATE SCHOOL AID PAYMENTS

The Academy’s principal source of revenue is per-pupil foundation allowance received from the State pursuant to the State School Aid Act of 1979, MCL Section 388.1601 *et seq.*, as amended (the “State School Aid Act”). The table below provides the historical per-pupil foundation allowance received by the Academy for the 2018-19 through 2024-25 school years, as provided by MDE and Management.

Per Pupil Foundation Allowance	
School Year	Foundation Allowance Received by the Academy (\$)
2018-19	7,871
2019-20	8,111
2020-21	8,111
2021-22	8,700
2022-23	9,150
2023-24	9,608
2024-25	9,983*

\*For 2024-25, \$375 per pupil is a one-time categorical.

The appropriation of funds by the State to establish the per-pupil foundation allowance under the State School Aid Act may be adjusted annually as part of the State’s budgeting process. State aid appropriations and the payment schedule for State school aid may be changed by the State at any time.

The Academy may also receive various categorical grants for specific expenditures such as special education, “at-risk” students, meal programs, early education, vocational-technical programs, bilingual programs and other instructional and non-instructional programs. The type and amount of these categorical grants are determined by the State pursuant to the annual amendments to the State School Aid Act. In addition, the Academy receives federal funding. For further information regarding the type and amount of categorical grants received by the Academy, see “APPENDIX C – FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (DRAFT) AND AUDITED FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEARS JUNE 30, 2023 AND 2022.”

See “RISK FACTORS – Delay in, Reduction or Termination of State School Aid Payments.”

## **OTHER BORROWINGS AND FUTURE FINANCINGS**

### **The Series 2015 Bonds**

In July 2015, the Academy issued the Series 2015 Bonds. The proceeds of the Series 2015 Bonds were used to (i) currently refund the Academy’s Full Term Certificates of Participation, Series 2001 in the original principal amount of \$1,235,000 and its Full Term Certificates of Participation, Series 2002 in the original principal amount of \$1,720,000 (collectively, the “Prior Obligations”) and (ii) finance the costs of the renovation of the Sterling Heights Facilities and the acquisition of and construction and equipping of the Facilities.

The Academy has the ability to issue short-term State School Aid Notes (“SSAN”) to cover operating cash-flow shortages in a given school year. The Academy issued a State School Aid Note in the amount of \$200,000 dated August 25, 2022, in anticipation of the 2022-23 State School Aid from the State. The note matured in August 2023.

The Academy did not issue a State School Aid Note for the 2023-24 school year, and the Academy does not intend to issue a State School Aid Note for the 2024-25 school year. However, the Academy may issue SSAN’s in future years, which notes would be secured by a pledge of the Academy’s State School Aid. In addition to SSAN, the Academy may also issue Additional Indebtedness or request that the Authority issue Additional Bonds, pursuant to the terms of the Financing Agreement. See “APPENDIX E – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT – THE FINANCING AGREEMENT – THE SERIES 2024 BONDS AND THE PROCEEDS THEREOF – Additional Bonds, Academy Bonds and Additional Indebtedness.”

## **DEBT HISTORY**

As of the Closing Date, the Academy will have no indebtedness outstanding except for the Series 2024 Bonds.

The Academy has no record of default on prior debt financings.

The Academy may incur additional Indebtedness. See “LIMITATION ON ADDITIONAL BONDS AND INDEBTEDNESS – Additional Indebtedness.”

## **FEDERAL/STATE FUNDING**

Public school academy students are similar to traditional public school students with respect to eligibility for federal entitlement programs. A public school academy may receive federal grant funds directly from MDE by following the same procedures that local school districts are required to follow.

## **BUDGET PROCESS AND INFORMATION**

The fiscal year of the Academy commences on July 1 of each year and ends on June 30 of the following year.

The Academy’s Board is responsible for establishing, approving and amending an annual budget in accordance with the Uniform Budgeting and Accounting Act, MCL 141.421, et. seq. In order to allow adequate time for the preparation and review of the proposed budget, the Board directs CSP to present the budget assumptions to the

Board at least 30 days before adoption of the subsequent years budget. The final adoption of the proposed annual budget is made by the Board after the completion of the public hearing, but no later than June 30th of each year.

The budget must detail budgeted expenditures at the object level as described in the MDE's Michigan Public School Accounting Manual. The Academy's Board is also responsible for approving all revisions and amendments to the annual budget.

The budget is developed by CSP in conjunction with school leaders, and other support staff as needed. The Academy budget is developed considering the instructional program needs, facilities requirements, administrative needs, state and federal grant programs, and overall long-term planning for the Academy's success. The proposed budget is submitted to the Board for approval, through the process prescribed above.

The budget is monitored on a monthly basis, and conversations between the Academy leadership and CSP are ongoing during the course of the year. If or when it becomes apparent that the budget will require modifications, due to funding changes, enrollment changes, or unexpected expenditure needs, then a budget revision is drafted and submitted to the Board for approval, following the processes described above.

## **PROJECTED AND HISTORICAL REVENUES AND EXPENSES**

### **General**

The ability of the Academy to make debt service payments when due is dependent on State Aid Payments to be received by the Academy as payment for educating students. The projections of revenues and expenses contained in APPENDIX B – "FINANCIAL PROJECTION" were prepared by the Academy and CSP, and have not been independently reviewed or verified by any other party other than Clear Scope Advisors, the Academy's financial advisor. In particular, the Underwriter has not independently verified such projections, and makes no representations nor gives any assurances that such projections, nor the assumptions underlying them, are complete or correct. Further, the projections relate only to the fiscal years of the Academy ending June 30, 2025 through June 30, 2029, and consequently do not cover the entire period that the Series 2025 Bonds will be outstanding.

The projections are derived from the actual operation of the Academy and from the Academy's and CSP's assumptions about future student enrollment and expenses. There can be no assurance that the actual enrollment revenues and expenses for the Academy will be consistent with the assumptions underlying the projections contained herein. Moreover, no guarantee can be made that the projections of revenues and expenses contained herein will correspond with the results actually achieved in the future because there is no assurance that actual events will correspond with the assumptions made by the Academy.

There are usually differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. Actual operating results may be affected by many factors, including, but not limited to, increased costs, lower than anticipated revenues (as a result of insufficient enrollment, reduced State School Aid funds, or otherwise), employee relations, changes in taxes, changes in applicable government regulation, changes in demographic trends, changes in elementary and secondary education competition and changes in local or general economic conditions. See "RISK FACTORS" in the forepart of this Official Statement.

Prospective investors in the Series 2024 Bonds should read APPENDIX B – "FINANCIAL PROJECTION" in its entirety to review certain of the projections and to consider the various factors that could cause actual results to differ significantly from projected results.

**NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY THE ACADEMY. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE SCHOOL AID**

**FUNDS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN ELEMENTARY AND SECONDARY EDUCATION COMPETITION AND LOCAL OR GENERAL ECONOMIC CONDITIONS.**

**Financial Statements**

The financial statements of the Academy, as of and for the years ended June 30, 2022 and 2023, included herein as part of “APPENDIX C – FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (DRAFT) AND AUDITED FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022” have been audited by Croskey Lanni, PC, which was acquired by Marcum LLP in May 2024, to the extent and for the periods indicated in their report thereon. In addition, financial statements of the Academy, as of and for the year ending June 30, 2024, are included herein as part of “APPENDIX C – FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (DRAFT) AND AUDITED FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022.” The Academy is not aware of any facts that would make the audited or unaudited financial statements misleading. The audited and unaudited financial statements included in APPENDIX C are an integral part hereof and should be read in their entirety.

**Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

The following Balance Sheet summary for the Academy presents a summary of the Academy’s financial position as of the dates listed. The Statement of Revenues, Expenditures and Changes in Fund Balance summary for the Academy presents a summary of the Academy’s financial activities during the fiscal year, thereby reconciling the beginning and end of year net asset positions contained in the Balance Sheet summary. Such summary statements are based on the audited financial statements of the Academy for the Fiscal Years ended June 30, 2022 and 2023 and the financial statements of the Academy for the Fiscal Year ended June 30, 2024. See “RISK FACTORS” in the forepart of this Official Statement.

<b>Balance Sheet (Governmental Funds)</b>	<b>As of</b>		
	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>
	(Audited)	(Audited)	(Draft)
<b>Assets</b>			
Cash and cash equivalents	\$ 706,494	\$ 1,522,284	\$ 1,823,867
Investments	1,075,084	1,131,821	1,191,237
Due from other governmental units	1,535,217	1,415,318	1,814,823
Due from other funds	392,264	649,611	540,257
Prepaid expenses	<u>125,442</u>	<u>115,418</u>	<u>160,680</u>
<b>Total Assets</b>	<b>3,834,501</b>	<b>4,834,452</b>	<b>5,530,864</b>
<b>Liabilities</b>			
Accounts payable	29,634	42,947	20,425
Notes payable	72,724	36,362	-
Due to other funds	392,264	649,611	540,257
Unearned revenue	492	151,456	228,364
Other accrued expenses	<u>485,109</u>	<u>475,526</u>	<u>573,050</u>
<b>Total Liabilities</b>	<b>980,223</b>	<b>1,355,902</b>	<b>1,362,096</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	-	1,800	-
<b>Fund Balance</b>			
Nonspendable	125,442	115,418	160,680
Restricted	1,511,140	1,828,906	1,806,355
Unassigned	<u>1,217,696</u>	<u>1,532,426</u>	<u>2,201,733</u>
<b>Total Fund Balance</b>	<b>\$ 2,854,278</b>	<b>\$ 3,476,750</b>	<b>\$ 4,168,768</b>

**Statement of Revenues, Expenditures  
and Changes in Fund Balance  
(Governmental Funds)**

**Fiscal Year Ended**

	<u>2022</u> (Audited)	<b>June 30,</b> <u>2023</u> (Audited)	<u>2024</u> (Draft)
<b>Revenues</b>			
Local sources	\$ 262,774	\$ 355,669	\$ 400,661
State sources	5,939,805	6,409,433	7,247,507
Federal sources	1,595,220	1,601,064	1,378,100
Interdistrict sources	<u>390,462</u>	<u>379,526</u>	<u>384,126</u>
<b>Total Governmental Fund Revenues</b>	<b>8,188,261</b>	<b>8,745,692</b>	<b>9,410,394</b>
<b>Expenditures</b>			
Instruction:			
Basic programs	3,562,920	3,556,076	3,808,210
Added needs	811,782	935,874	981,442
Support services:			
Pupil support services	160,170	124,135	189,343
Instructional staff support services	21,531	69,362	72,374
General administration	706,840	805,157	230,637
School administration	643,102	699,266	705,020
Business support services	9,273	5,810	567,957
Operations and maintenance	481,001	476,337	552,554
Pupil transportation services	355	541	78
Central support services	73,371	133,388	115,583
Athletic activities	-	-	25,009
Other student activities	44,161	7,010	63,013
Food services	223,174	68,477	470,902
Community services	150,941	314,372	198,763
Payments to other school districts	7,329	176,036	740
Capital outlay	80,173	725	-
Debt principal and interest	<u>746,154</u>	<u>750,654</u>	<u>736,751</u>
<b>Total Governmental Fund Expenditures</b>	<b>7,722,277</b>	<b>8,123,220</b>	<b>8,718,376</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	465,984	622,472	692,018
<b>Other Financing Sources (Uses)</b>			
Proceeds from leases	47,960	-	-
Operating transfers in	930,513	922,519	653,521
Operating transfers out	<u>(930,513)</u>	<u>(922,519)</u>	<u>(653,521)</u>
<b>Total Other Financing Sources (Uses)</b>	47,960	-	-
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses</b>	513,944	622,472	692,018
Fund balance - July 1	2,340,334	2,854,278	3,476,750
Fund balance - June 30	\$ 2,854,278	\$ 3,476,750	\$ 4,168,768



**APPENDIX B**  
**FINANCIAL PROJECTION**

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# Huron Academy

## 5-Year Budget Projection

Revenue	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	Audited	Audit	Original	Projected	Projected	Projected	Projected
Funding	\$9,150	\$9,608	\$9,983	\$10,133	\$10,283	\$10,433	\$10,583
<b>Change in Foundation</b>	0	458	375	150	150	150	150
Enrollment	643	661	681	696	711	726	741
<b>Change in Enrollment</b>	0	18	20	15	15	15	15
Local Sources	251,981	257,476	193,000	212,300	233,530	256,883	282,571
State Sources - Foundation Allowance	5,818,885	6,350,888	6,798,423	7,052,568	7,311,213	7,574,358	7,842,003
State Sources - Categoricals	581,501	883,699	910,210	937,516	965,642	994,611	1,024,449
Federal Sources	414,274	350,668	361,188	372,024	383,184	394,680	406,520
ESSER Funding	853,055	635,446	0	0	0	0	0
Payments from ISD	379,526	384,126	379,800	391,194	402,930	415,018	427,468
Proceeds from Lease Financing		0	0	0	0	0	0
<b>Total Revenue</b>	<b>8,299,222</b>	<b>8,862,303</b>	<b>8,642,621</b>	<b>8,965,602</b>	<b>9,296,499</b>	<b>9,635,550</b>	<b>9,983,012</b>
<b>Expenditures</b>							
Basic Programs	3,556,075	3,808,210	3,828,207	3,904,771	3,982,867	4,062,524	4,143,774
Added Needs	935,874	981,440	1,001,069	1,021,090	1,041,512	1,062,342	1,083,589
Pupil Services	124,133	189,343	193,130	196,992	200,932	204,951	209,050
Improvement of Instruction	69,363	72,374	26,000	26,000	26,000	26,000	26,000
General Administration	793,928	786,044	830,351	838,655	847,041	855,511	864,067
School Administration	699,266	705,020	661,824	678,370	695,329	712,712	730,530
Business Services	5,810	10,800	10,800	10,908	11,017	11,127	11,239
Operations & Maintenance	476,337	552,554	438,959	447,738	456,693	465,827	475,143
Transportation	541	78	450	461	473	485	497
Central Services	120,450	73,291	48,000	13,960	14,239	14,524	14,814
Athletics	7,010	25,009	17,804	17,982	18,162	18,343	18,527
Community Services	176,036	198,765	198,172	200,154	202,155	204,177	206,219
Services from ISD	725	740	0	5,000	5,000	5,000	5,000
Capital Outlay		0	0	0	0	0	0
Lease Expenditure (GASB 87)	106,448	90,545	90,545	90,545	90,545	90,545	90,545
Debt Service - Series 2015	672,520	653,521	413,540				
Debt Service - Series 2024			215,258	616,530	827,185	828,275	828,961
Transfers to CPF & SSF	250,000	0	0	0	0	0	0
<b>Total Operating Expenditures</b>	<b>7,994,516</b>	<b>8,147,734</b>	<b>7,974,109</b>	<b>8,069,156</b>	<b>8,419,150</b>	<b>8,562,344</b>	<b>8,707,954</b>
<b>Net Income</b>	<b>304,706</b>	<b>714,569</b>	<b>668,512</b>	<b>896,446</b>	<b>877,349</b>	<b>1,073,206</b>	<b>1,275,058</b>
<b>Net Income Available for Debt Service</b>	<b>977,226</b>	<b>1,368,090</b>	<b>1,297,310</b>	<b>1,512,976</b>	<b>1,704,534</b>	<b>1,901,481</b>	<b>2,104,019</b>
<b>Total Debt Service</b>	<b>672,520</b>	<b>653,521</b>	<b>628,798</b>	<b>616,530</b>	<b>827,185</b>	<b>828,275</b>	<b>828,961</b>
<b>Debt Service Coverage</b>	<b>1.45</b>	<b>2.09</b>	<b>2.06</b>	<b>2.45</b>	<b>2.06</b>	<b>2.30</b>	<b>2.54</b>
<b>Debt Service as % of State Revenue</b>	<b>12%</b>	<b>10%</b>	<b>9%</b>	<b>9%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>
Beginning Fund Balance	1,343,138	1,647,844	2,362,413	3,030,925	3,927,371	4,804,720	5,877,926
Projected Ending Fund Balance	1,647,844	2,362,413	3,030,925	3,927,371	4,804,720	5,877,926	7,152,984
CASH Balance (Includes R&R)	1,716,916	1,946,299	2,614,811	3,511,257	4,388,606	5,461,812	6,736,870
Avg Daily Operating Expenses	21,218	22,323	21,847	22,107	23,066	23,458	23,857
<b>Days Cash on Hand</b>	<b>80.92</b>	<b>87.19</b>	<b>119.69</b>	<b>158.83</b>	<b>190.26</b>	<b>232.83</b>	<b>282.38</b>

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**APPENDIX C**

**FINANCIAL INFORMATION OF THE ACADEMY FOR THE FISCAL YEAR  
ENDED JUNE 30, 2024 (DRAFT) AND AUDITED FINANCIAL INFORMATION OF THE ACADEMY  
FOR THE FISCAL YEARS JUNE 30, 2023 AND 2022**

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**Audited Financial Statements**

**Huron Academy**  
Sterling Heights, Michigan

**June 30, 2024**

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## CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report</b>	i – iii
<b>Management's Discussion and Analysis</b>	iv - ix
<b>Basic Financial Statements</b>	
Statement of Net Position	1
Statement of Activities	2
Combined Balance Sheet – All Governmental Funds	3
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7 - 21
<b>Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	22
Combining Balance Sheet – Non-Major Funds	23
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Funds	24
Schedule of Revenues – General Fund	25
Schedule of Expenditures – General Fund	26 - 27

**CONTENTS – Continued**

	<b><u>Page</u></b>
<b>Appendix- Federal Awards Report</b>	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A-1 – A-2
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	A-3 – A-5
Schedule of Expenditures of Federal Awards	A-6 – A-7
Reconciliation of Basic Financial Statements Federal Revenue and Receivables with Schedule of Expenditures of Federal Awards	A-8
Notes to Schedule of Expenditures of Federal Awards	A-9
Schedule of Findings and Questioned Costs	A-10

# HURON ACADEMY

## STATEMENT OF NET POSITION JUNE 30, 2024

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 1,823,867
Investments - restricted for debt service and capital projects	1,191,237
Due from other governmental units	1,814,823
Prepaid expenses	<u>160,680</u>
Total current assets	4,990,607

#### Capital Assets - Net of Accumulated Depreciation / Amortization

7,477,941

Total assets

\$ 12,468,548

### LIABILITIES AND NET POSITION

#### Current Liabilities

Accounts payable	\$ 20,425
Unearned revenue	228,364
Other accrued liabilities	652,564
Long-term debt - current portion	<u>269,704</u>
Total current liabilities	1,171,057

#### Long-Term Debt - Long-Term Portion

7,298,940

#### Net Position

Net investment in capital assets	(90,703)
Restricted	1,806,355
Unrestricted	<u>2,282,899</u>
Total net position	<u>3,998,551</u>
Total liabilities and net position	<u>\$ 12,468,548</u>

See accompanying notes to financial statements

# HURON ACADEMY

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants	Government Type Activities
Instruction				
Basic programs	\$ 3,808,210	\$ -	\$ 649,707	\$ (3,158,503)
Added needs	981,442	-	1,197,612	216,170
Support services				
Pupil support services	189,343	-	36,253	(153,090)
Instructional staff support services	72,374	-	45,114	(27,260)
General administration	797,349	-	-	(797,349)
School administration	705,020	-	-	(705,020)
Business support services	1,245	-	-	(1,245)
Operations and maintenance	552,554	-	-	(552,554)
Pupil transportation services	78	-	-	(78)
Central support services	115,583	-	43,093	(72,490)
Athletic activities	25,009	-	-	(25,009)
Other student activities	63,013	87,227	-	24,214
Food services	470,902	-	404,906	(65,996)
Community services	198,763	-	-	(198,763)
Payments to other school districts	740	-	-	(740)
Unallocated depreciation / amortization	412,801	-	-	(412,801)
Unallocated interest	482,789	-	-	(482,789)
Total primary government	\$ 8,877,215	\$ 87,227	\$ 2,376,685	(6,413,303)
<b>General Purpose Revenues</b>				
State school aid - unrestricted				6,631,248
Miscellaneous revenues				313,434
Total general purpose revenues				6,944,682
Change in net position				531,379
Net position - July 1, 2023				3,467,172
Net position - June 30, 2024				\$ 3,998,551

See accompanying notes to financial statements

## HURON ACADEMY

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2024

#### ASSETS

	General	Debt Service	Capital Projects	Non-Major	Total
Cash and cash equivalents	\$ 1,749,006	\$ -	\$ -	\$ 74,861	\$ 1,823,867
Investments	-	986,988	204,249	-	1,191,237
Due from other governmental units	1,814,823	-	-	-	1,814,823
Due from other funds	-	-	526,848	13,409	540,257
Prepaid expenses	160,680	-	-	-	160,680
<b>Total assets</b>	<b><u>\$ 3,724,509</u></b>	<b><u>\$ 986,988</u></b>	<b><u>\$ 731,097</u></b>	<b><u>\$ 88,270</u></b>	<b><u>\$ 5,530,864</u></b>

#### LIABILITIES AND FUND BALANCE

##### Liabilities

Accounts payable	\$ 20,425	\$ -	\$ -	\$ -	\$ 20,425
Due to other funds	540,257	-	-	-	540,257
Unearned revenue	228,364	-	-	-	228,364
Other accrued liabilities	573,050	-	-	-	573,050
<b>Total liabilities</b>	<b>1,362,096</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,362,096</b>

##### Fund Balance

Nonspendable	160,680	-	-	-	160,680
Restricted	-	986,988	731,097	88,270	1,806,355
Unassigned	2,201,733	-	-	-	2,201,733
<b>Total fund balance</b>	<b><u>2,362,413</u></b>	<b><u>986,988</u></b>	<b><u>731,097</u></b>	<b><u>88,270</u></b>	<b><u>4,168,768</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 3,724,509</u></b>	<b><u>\$ 986,988</u></b>	<b><u>\$ 731,097</u></b>	<b><u>\$ 88,270</u></b>	<b><u>\$ 5,530,864</u></b>

See accompanying notes to financial statements

# HURON ACADEMY

## RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2024

Amounts reported for governmental activities in the statement of net position are different because:

<b>Total Governmental Fund Balances</b>	\$ 4,168,768
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$11,893,220 and the accumulated depreciation / amortization is \$4,415,279.	7,477,941
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(79,514)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(7,568,644)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 3,998,551</u></u>

See accompanying notes to financial statements

## HURON ACADEMY

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2024

	General	Debt Service	Capital Projects	Non-Major	Total
<b>Revenues</b>					
Local sources	\$ 257,476	\$ 44,409	\$ 11,549	\$ 87,227	\$ 400,661
State sources	7,234,587	-	-	12,920	7,247,507
Federal sources	986,114	-	-	391,986	1,378,100
Interdistrict sources	384,126	-	-	-	384,126
<b>Total governmental fund revenues</b>	<b>8,862,303</b>	<b>44,409</b>	<b>11,549</b>	<b>492,133</b>	<b>9,410,394</b>
<b>Expenditures</b>					
Instruction					
Basic programs	3,808,210	-	-	-	3,808,210
Added needs	981,442	-	-	-	981,442
Support services					
Pupil support services	189,343	-	-	-	189,343
Instructional staff support services	72,374	-	-	-	72,374
General administration	795,599	-	1,750	-	797,349
School administration	705,020	-	-	-	705,020
Business support services	1,245	-	-	-	1,245
Operations and maintenance	552,554	-	-	-	552,554
Pupil transportation services	78	-	-	-	78
Central support services	73,291	-	42,292	-	115,583
Athletic activities	25,009	-	-	-	25,009
Other student activities	-	-	-	63,013	63,013
Food services	-	-	-	470,902	470,902
Community services	198,763	-	-	-	198,763
Payments to other school districts	740	-	-	-	740
Debt principal and interest	90,545	646,206	-	-	736,751
<b>Total governmental fund expenditures</b>	<b>7,494,213</b>	<b>646,206</b>	<b>44,042</b>	<b>533,915</b>	<b>8,718,376</b>
Excess (deficiency) of revenues over expenditures	1,368,090	(601,797)	(32,493)	(41,782)	692,018
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	651,596	1,925	-	653,521
Operating transfers out	(653,521)	-	-	-	(653,521)
<b>Total other financing sources (uses)</b>	<b>(653,521)</b>	<b>651,596</b>	<b>1,925</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	714,569	49,799	(30,568)	(41,782)	692,018
Fund balance - July 1, 2023	1,647,844	937,189	761,665	130,052	3,476,750
Fund balance - June 30, 2024	<u>\$ 2,362,413</u>	<u>\$ 986,988</u>	<u>\$ 731,097</u>	<u>\$ 88,270</u>	<u>\$ 4,168,768</u>

See accompanying notes to financial statements

## HURON ACADEMY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

Amounts reported for governmental activities in the statement of activities are different because:

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	692,018
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Depreciation and amortization expense		(412,801)
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Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end.		(1,800)
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$	255,545	
Interest expense		(1,583)	
		253,962	

<b>Change in Net Position of Governmental Activities</b>	\$	<u><u>531,379</u></u>
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See accompanying notes to financial statements



# HURON ACADEMY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Huron Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

Huron 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 filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, in June 1999, and began operation in July 1999.

In May 1999, the Academy initially entered into a contract with the Ferris State University Board of Trustees to charter a public school academy. The contract has been renewed through the year ending June 30, 2030. 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. The University’s Board of Trustees 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 Ferris State University Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2024 were approximately \$200,170.

In July 2011, the Academy renewed its agreement with CS Partners, "CSP" which has been renewed through June 2030 and runs coterminous with the authorizer agreement. Under the terms of this agreement, CSP provides a variety of management services including the support of the Academy’s instructional and operational systems, as well as human resource functions. The Academy is obligated to pay CSP nine percent of its state aid. The total paid for these services amounted to approximately \$566,710 for the year ended June 30, 2024.

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 or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

#### **Fund Financial Statements**

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

#### **Basis of Presentation – Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

# HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities, are accounted for through a governmental fund.

**General Fund** - The general fund is used to record the general operations 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.

**Special Revenue Fund (Food Service)** - The special revenue fund, is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund. The special revenue fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

**Special Revenue Fund (Student Activities)** – The Academy presently maintains an activity fund to record the transactions of student groups for school and school-related purposes. The student activity fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the student activity fund will be covered by an operating transfer from the general fund.

**Debt Service Fund** - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

**Capital Projects Fund** - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for 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. Revenue from state sources is 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. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

#### Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

#### Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the

# HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

### Receivables

Receivables and due from other governmental units at June 30, 2024 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2024 and are considered current for the purposes of these financial statements.

### Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2024, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

### Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

# HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Net Position

Net position represents the difference between assets, deferred outflows and liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

### Fund Equity

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 nonspendable and spendable. Nonspendable 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 nonspendable 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.
- 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.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

#### Leases

##### *Leases and Subscription Based IT Arrangements (SBITA)*

The Academy recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

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

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

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

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

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

#### Estimates

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

# HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

### Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
  - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
    - 1) Overview of the Financial Statements,
    - 2) Financial Summary,
    - 3) Detailed Analyses,
    - 4) Significant Capital Asset and Long-Term Financing Activity,
    - 5) Currently Known Facts, Decisions, or Conditions;
  - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
  - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
  - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
  - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

### NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2024 the budget was amended in a legally permissible manner. A comparison of amounts appropriated to actual expenditures is included on page 22 of these financial statements.



## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 3 – DEPOSITS AND INVESTMENTS

As of June 30, 2024, the Academy had the following investments:

<u>Type</u>	<u>S&amp;P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,823,867
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>1,191,237</u>
Total deposits and investments			<u>\$ 3,015,104</u>

The above amounts are reported in the financial statements as follows:

Deposits:		
Cash - General Fund		\$ 1,749,006
Cash - Special Revenue - Student Activities Fund		<u>74,861</u>
Subtotal		1,823,867
Investments:		
Investments - Debt Service Fund		986,988
Investments - Capital Projects Fund		<u>204,249</u>
Subtotal		<u>1,191,237</u>
Total deposits and investments		<u>\$ 3,015,104</u>

#### Interest Rate Risk

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

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

#### Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2024, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

#### Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represent 100% of the Academy's total investments.

#### Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2024, \$1,704,947 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2024.

#### Custodial Credit Risk - Investments

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

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

#### Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

#### Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,300,773
Federal sources	<u>514,050</u>
Total	<u><u>\$ 1,814,823</u></u>

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2024</u>
Capital assets subject to depreciation and amortization				
Building	\$ 10,748,341	\$ -	\$ -	\$ 10,748,341
Right to use - copiers	47,960	-	-	47,960
Right to use - land	333,167	-	-	333,167
Equipment	763,752	-	-	763,752
Subtotal	<u>11,893,220</u>	-	-	<u>11,893,220</u>
Accumulated depreciation / amortization				
Building	3,228,002	330,156	-	3,558,158
Right to use - copiers	8,659	7,993	-	16,652
Right to use - land	133,266	66,634	-	199,900
Equipment	632,551	8,018	-	640,569
Subtotal	<u>4,002,478</u>	<u>412,801</u>	-	<u>4,415,279</u>
Total net capital assets	<u>\$ 7,890,742</u>	<u>\$ (412,801)</u>	<u>\$ -</u>	<u>\$ 7,477,941</u>

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

### NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2024 may be summarized as follows:

<u>Loan Information</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 22-23	4.33%	August, 2023	Paid in full

**HURON ACADEMY**

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

**NOTE 6 – NOTES PAYABLE - Continued**

**Loan Activity**

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2024</u>
SAAN 22-23	\$ 36,362	\$ -	\$ 36,362	\$ -

**NOTE 7 – OTHER ACCRUED LIABILITIES**

Other accrued liabilities may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 480,201	\$ 480,201
University oversight fee	49,492	49,492
Interest	79,514	-
Other	43,357	43,357
Total other accrued liabilities	<u>\$ 652,564</u>	<u>\$ 573,050</u>

# HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

## NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2024:

### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Direct borrowing - land	4.50%	August, 2025	25 year lease paid monthly. The lease is currently expected to be renewed in 2025.
Direct borrowing - copiers	4.50%	April, 2027	5 year lease paid monthly.
Revenue bond	5.00%	November, 2045	Interest payable twice a year, principal payable annually. Secured by facilities and pledge for 20% of state school aid payments.

### Loan Activity

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
Direct borrowing - land	\$ 181,013	\$ -	\$ 81,359	\$ 99,654	\$ 85,096
Direct borrowing - copiers	37,572	-	9,186	28,386	9,608
Revenue bond	7,665,000	-	165,000	7,500,000	175,000
Totals	<u>\$ 7,883,585</u>	<u>\$ -</u>	<u>\$ 255,545</u>	<u>\$ 7,628,040</u>	<u>\$ 269,704</u>
Less unamortized discount				59,396	
				<u>\$ 7,568,644</u>	

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>
2025	\$ 269,704	\$ 476,531
2026	204,608	464,553
2027	198,728	454,762
2028	200,000	443,831
2029	215,000	431,381
2030 - 2032	1,275,000	1,941,872
2035 - 2039	1,725,000	1,475,597
2040 - 2044	2,360,000	815,972
2045 - 2046	1,180,000	81,000
Total	<u>\$ 7,628,040</u>	<u>\$ 6,585,499</u>

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 9 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its funds as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 651,596	\$ 1,925
Transfer Out	653,521	-	-

As stipulated by the Academy's revenue bond agreement as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. The general fund also subsidizes the Special Revenue Funds lunch activities. These above transactions account for the major activity in the Academy's interfund transfer accounts.

### NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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**SUPPLEMENTARY INFORMATION**

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## HURON ACADEMY

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Local sources	\$ 196,000	\$ 205,800	\$ 257,476	\$ 51,676
State sources	6,564,514	7,320,613	7,234,587	(86,026)
Federal sources	1,458,080	1,248,512	986,114	(262,398)
Interdistrict sources	401,432	377,578	384,126	6,548
Total general fund revenues	8,620,026	9,152,503	8,862,303	(290,200)
<b>Expenditures</b>				
Instruction				
Basic programs	4,143,620	3,864,396	3,808,210	(56,186)
Added needs	969,900	1,053,729	981,442	(72,287)
Support services				
Pupil support services	168,616	230,171	189,343	(40,828)
Instructional staff support services	32,934	72,453	72,374	(79)
General administration	772,115	812,989	795,599	(17,390)
School administration	701,190	720,476	705,020	(15,456)
Business support services	13,700	10,800	1,245	(9,555)
Operations and maintenance	593,670	576,291	552,554	(23,737)
Pupil transportation services	450	453	78	(375)
Central support services	61,000	106,997	73,291	(33,706)
Athletic activities	17,601	18,300	25,009	6,709
Community services	187,874	218,660	198,763	(19,897)
Payments to other school districts	-	-	740	740
Debt principal and interest	-	-	90,545	90,545
Total general fund expenditures	7,662,670	7,685,715	7,494,213	(191,502)
Excess (deficiency) of revenues over expenditures	957,356	1,466,788	1,368,090	(98,698)
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(943,354)	(1,044,354)	(653,521)	390,833
Total other financing sources (uses)	(943,354)	(1,044,354)	(653,521)	390,833
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	14,002	422,434	714,569	292,135
Fund balance - July 1, 2023	1,647,844	1,647,844	1,647,844	-
Fund balance - June 30, 2024	\$ 1,661,846	\$ 2,070,278	\$ 2,362,413	\$ 292,135

## HURON ACADEMY

### COMBINING BALANCE SHEET - NON-MAJOR FUNDS JUNE 30, 2024

#### ASSETS

	Special Revenue		Total
	Food Services	Student Activities	
Cash and cash equivalents	\$ -	\$ 74,861	\$ 74,861
Due from other funds	13,225	184	13,409
Total assets	\$ 13,225	\$ 75,045	\$ 88,270

#### LIABILITIES AND FUND BALANCE

<b>Fund Balance</b>			
Restricted	13,225	75,045	88,270
Total liabilities and fund balance	\$ 13,225	\$ 75,045	\$ 88,270

## HURON ACADEMY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2024

	<b>Special Revenue</b>		<b>Total</b>
	<b>Food Services</b>	<b>Student Activities</b>	
<b>Revenues</b>			
Local sources	\$ -	\$ 87,227	\$ 87,227
State sources	12,920	-	12,920
Federal sources	391,986	-	391,986
<b>Total governmental fund revenues</b>	<b>404,906</b>	<b>87,227</b>	<b>492,133</b>
<b>Expenditures</b>			
Support services			
Other student activities	-	63,013	63,013
Food services	470,902	-	470,902
<b>Total governmental fund expenditures</b>	<b>470,902</b>	<b>63,013</b>	<b>533,915</b>
Excess (deficiency) of revenues over expenditures	(65,996)	24,214	(41,782)
Fund balance - July 1, 2023	79,221	50,831	130,052
Fund balance - June 30, 2024	\$ 13,225	\$ 75,045	\$ 88,270

# HURON ACADEMY

## SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

### Local Sources

Other local revenues	\$ 257,476
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### State Sources

At risk	497,626
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Special education	105,713
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State aid	<u>6,631,248</u>
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Total state sources	7,234,587
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### Federal Sources

IDEA	44,343
------	--------

Title I	226,285
---------	---------

Title II A	26,358
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Title III	24,478
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Other program revenue	<u>664,650</u>
-----------------------	----------------

Total federal sources	986,114
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### Interdistrict Sources

	<u>384,126</u>
--	----------------

Total general fund revenues	<u><u>\$ 8,862,303</u></u>
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# HURON ACADEMY

## SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

### Basic Programs

Purchased services	\$ 3,735,171
Rentals	9,093
Supplies and materials	57,384
Non-depreciable capital assets	3,166
Other expenditures	3,396
	<hr/>
Total basic programs	3,808,210

### Added Needs

Purchased services	967,246
Supplies and materials	14,196
	<hr/>
Total added needs	981,442

### Pupil Support Services

Guidance services	70,300
Health services	13,622
Psychological services	7,956
Speech pathology and audiology	61,045
Social work services	36,420
	<hr/>
Total pupil support services	189,343

### Instructional Staff Support Services

Purchased services	72,374
--------------------	--------

### General Administration

Purchased services	778,322
Other expenditures	17,277
	<hr/>
Total general administration	795,599

### School Administration

Purchased services	684,744
Supplies and materials	14,944
Other expenditures	5,332
	<hr/>

Total school administration	705,020
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# HURON ACADEMY

## SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2024

<b>Business Support Services</b>	
Other expenditures	1,245
<b>Operations and Maintenance</b>	
Purchased services	293,324
Repairs and maintenance	106,694
Rentals	6,480
Supplies and materials	73,456
Non-depreciable capital assets	72,600
	<hr/>
Total operations and maintenance	552,554
<b>Pupil Transportation Services</b>	
Other expenditures	78
<b>Central Support Services</b>	
Purchased services	21,992
Supplies and materials	51,299
	<hr/>
Total central support services	73,291
<b>Athletic Activities</b>	
Purchased services	25,009
<b>Community Services</b>	
Purchased services	197,643
Supplies and materials	1,120
	<hr/>
Total community services	198,763
<b>Payments to Other School Districts</b>	740
<b>Debt Principal and Interest</b>	90,545
	<hr/>
Total general fund expenditures	<u><u>\$ 7,494,213</u></u>

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**Audited Financial Statements**

**Huron Academy**  
Sterling Heights, Michigan

**June 30, 2023**

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## CONTENTS

	<u>Page</u>
<b>Independent Auditor’s Report</b>	i – iii
<b>Management’s Discussion and Analysis</b>	iv - ix
<b>Basic Financial Statements</b>	
Statement of Net Position	1
Statement of Activities	2
Combined Balance Sheet – All Governmental Funds	3
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7 - 20
<b>Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	21
Combining Balance Sheet – Non-Major Funds	22
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Funds	23
Schedule of Revenues – General Fund	24
Schedule of Expenditures – General Fund	25 - 26

## CONTENTS – Continued

	<u>Page</u>
<b>Appendix- Federal Awards Report</b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A-1 – A-2
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	A-3 – A-5
Schedule of Expenditures of Federal Awards	A-6 – A-7
Reconciliation of Basic Financial Statements Federal Revenue and Receivables with Schedule of Expenditures of Federal Awards	A-8
Notes to Schedule of Expenditures of Federal Awards	A-9
Schedule of Findings and Questioned Costs	A-10



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Huron Academy

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Huron 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, each major fund, and the aggregate remaining fund information of Huron Academy, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Huron Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Huron 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 Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huron Academy's basic financial statements. The accompanying additional supplementary information, as identified in the Table of Contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of Huron Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Huron Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Huron Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan  
October 30, 2023

## MANAGEMENT’S DISCUSSION AND ANALYSIS

Huron Academy is Preschool through 8th grade Public School Academy located in Sterling Heights, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Huron Academy administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2023.

### FINANCIAL HIGHLIGHTS OF THE ACADEMY

Table 1 - Basic Financial Information

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$ 9,150	\$ 8,700
Enrollment	637.03	680.2
General Fund Balance Increase/(Decrease)	\$ 304,706	\$ 199,493
General Fund Balance as Percent of Unrestricted State Aid Revenue	26%	23%

### OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

### FUND FINANCIAL STATEMENTS

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, the Academy’s major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statement, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.

The academy has one kind of fund:

Governmental fund – Most of the Academy’s basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that 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. Because this information does not encompass the additional long-term focus of the academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.



## ACADEMY - WIDE FINANCIAL STATEMENTS

The Academy-wide financial statements are maintained using the “full accrual” basis. They report all of the Academy’s assets and liabilities, both short and long term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

**Figure A-1 Organization of Huron Academy’s Annual Financial Report**

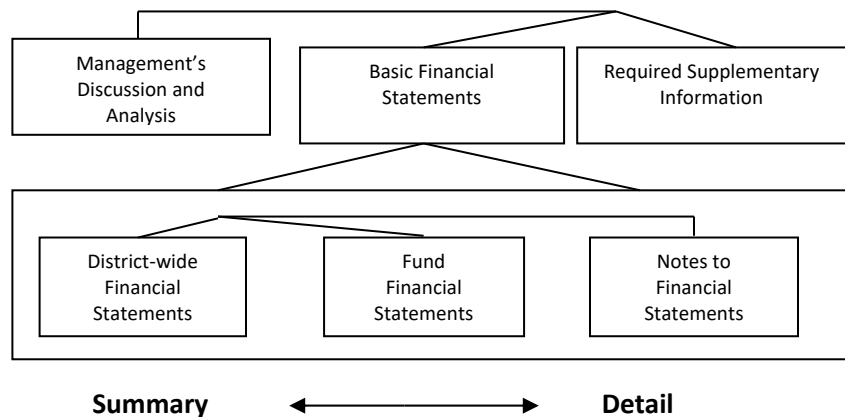


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements**

	<b>Academy-wide statements</b>	<b>Fund Financial Statements</b>
<b>Scope</b>	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary
<b>Required financial statements</b>	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

## FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Table 2 - Financial Results

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$ 1,647,844	\$ 1,343,138
Total General Fund Revenue	\$ 8,299,223	\$ 7,859,714
State Aid Foundation Allowance as percent of Academy Revenues	77%	76%
Total Cost of Instructional Programs	\$ 4,491,950	\$ 4,374,702
Instructional Expenditures as percent of Total Expenditures	58%	59%
Total Cost of Support/Operational Services	\$ 2,580,048	\$ 2,402,966
Support/Operational Services as percent of Total Expenditures	34%	32%
Total Expenditures transferred to Debt Service	\$ 648,830	\$ 648,744
Transfer to Debt Service as percent of Total Expenditures	8%	9%

## ACADEMY GOVERNMENTAL ACTIVITIES

### Summary of Net Position

The following summarizes the net position at fiscal year ended June 30, 2023 and 2022:

Table 3 - Net Position Detail

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current Assets	\$ 4,184,841	\$ 3,442,237
Capital Assets	11,893,220	11,893,220
Less: Accumulated Depreciation	(4,002,478)	(3,584,902)
Capital Assets, Net Book Value	<u>7,890,742</u>	<u>8,308,318</u>
Total Assets and Deferred Outflows	<u>\$ 12,075,583</u>	<u>\$ 11,750,555</u>
<b>Liabilities</b>		
Current Liabilities	\$ 1,042,725	\$ 926,602
Long-term Liabilities	<u>7,565,686</u>	<u>7,811,947</u>
Total Liabilities and Deferred Inflows	<u>\$ 8,608,411</u>	<u>\$ 8,738,549</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt (Deficit)	\$ 69,511	\$ 239,908
Restricted for Debt Service	1,828,906	1,511,140
Unrestricted	<u>1,568,755</u>	<u>1,260,958</u>
Total Net Position	<u>\$ 3,467,172</u>	<u>\$ 3,012,006</u>

## Results of Operations

For the fiscal year ended June 30, 2023 and 2022, the Academy-wide results of operations were:

Table 4 - Change in Net Position

	2023		2022	
	Amount	% of Total	Amount	% of Total
<b>General Revenue:</b>				
State of Michigan Aid - All Sources	\$ 5,908,568	67.54%	\$ 5,518,642	67.39%
Other	282,154	3.23%	13,858	0.17%
<b>Total General Revenue</b>	<b>6,190,722</b>	<b>70.77%</b>	<b>5,532,500</b>	<b>67.56%</b>
<b>Program Revenue:</b>				
Charges for Services	73,515	0.84%	248,916	3.04%
Operating Grants - Federal and State	2,483,255	28.39%	2,406,845	29.40%
<b>Total Program Revenue</b>	<b>2,556,770</b>	<b>29.23%</b>	<b>2,655,761</b>	<b>32.44%</b>
<b>Total Revenue</b>	<b>8,747,492</b>	<b>100.00%</b>	<b>8,188,261</b>	<b>100.00%</b>
<b>Expenses:</b>				
Instruction and Instructional Services	4,491,950	54.17%	4,374,702	55.78%
Support Services	2,390,208	28.82%	2,147,133	27.37%
Food Service	314,372	3.79%	223,174	2.85%
Community Services	176,036	2.12%	150,941	1.92%
Unallocated Depreciation / Amortization	417,576	5.04%	433,783	5.53%
Interest on Long-term Debt	502,184	6.06%	513,859	6.55%
<b>Total Expenses</b>	<b>8,292,326</b>	<b>100.00%</b>	<b>7,843,592</b>	<b>100.00%</b>
<b>Change in Net Position</b>	<b>\$ 455,166</b>		<b>\$ 344,669</b>	

During the fiscal year ended June 30, 2023, the Academy's net position increased by \$455,166 as compared to a net increase of \$344,669 in the prior fiscal year. Factors affecting this significant improvement of current year over prior year include growth in unrestricted state revenues, the addition of pandemic-related federal revenues, the addition of new county millage funding and continued spending controls. Additional factors affecting the change in net position during the year are discussed below.

### State of Michigan Aid and Other Factors affecting Revenue

The State of Michigan aid is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. Huron Academy's foundation allowance was \$9,150.
- Student Enrollment: The Academy's student enrollment for the fall count of 2022-23 was 645 students. To calculate total state aid to be provided by the foundation allowance, a system (Section 25) where the funding follows the student was used. This means adjustments were made to the current year fall count when students enrolled or unenrolled until the current year winter count to calculate the adjusted fall count. A

blend of 90% of the adjusted current year fall count and 10% of the prior year spring count is multiplied by the Academy's foundation allowance.

- Total Section 25 adjustment was (.52) FTE or (\$4,758).
- Additional federal funding was available during the 2022-23 fiscal year to supplement programs. This funding is expected to be available again in fiscal year 2023-24.

Subsequent to June 30, 2023, preliminary student enrollments for 2023-2024 indicated that the 2024 fall student enrollment would remain at or surpass 2022-2023 levels.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Academy revised the annual operating budget two times.

Changes were made in the second and fourth quarters to account change in student enrollment, federal funding, and changes in assumptions (e.g. staffing changes, instructional, transportation, food services and community services) since the original budget was adopted.

The Academy's revenues from General Fund operations exceeded expenditures by \$304,706 for the fiscal year ended June 30, 2023.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The Academy's net investment in capital assets did not change during the fiscal year. This can be summarized as follows:

Table 5 - Capital Assets

	Beginning				Ending	
	Balance 6/30/22	Additions	Disposals		Balance 6/30/23	
Building	\$ 10,748,341	\$ -	\$ -		\$ 10,748,341	
Equipment	744,198	-			744,198	
Right to use assets	400,681	-			400,681	
Less: Accumulated Depreciation / Amortization	3,584,902	417,576			4,002,478	
Net Investment in Capital Assets	\$ 8,308,318	\$ (417,576)	\$ -		\$ 7,890,742	

### Depreciation/Amortization Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation/amortization expense and accumulated depreciation/amortization. The net increase in accumulated depreciation/amortization expense is a reduction in net assets in the entity wide financial statements. Depreciation/amortization is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy's financial statements.

For fiscal year ended June 30, 2023, the net increase in accumulated depreciation/amortization was \$417,576.

Depreciation/amortization expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation/amortization expense is recorded based on the original cost of the asset, less an estimated salvage value.

### Debt, Principal Payments

A summary of long-term debt service activities is as follows.

Table 6 - Debt, Principal Payments

	Balance 6/30/2022	New Financings	Principal Payments	Balance 6/30/2023
Revenue Bond	\$ 7,820,000	\$ -	\$ 155,000	\$ 7,665,000
Notes and Lease Payable	313,722	-	95,137	218,585
<b>Total Long-term Obligations</b>	<b>\$ 8,133,722</b>	<b>\$ -</b>	<b>\$ 250,137</b>	<b>\$ 7,883,585</b>

### ECONOMIC FACTORS BEARING ON THE ACADEMY’S FUTURE

The Preliminary Budget for the 2023-24 Fiscal Year was adopted by the Board of Directors in June 2023. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management’s best estimates based on perceived interest from the community. Some key factors and estimates used in the 2023-24 budget preparation process include:

- Conservative enrollment projections of 640 students in grades K-8.
- State Aid Foundation is estimated with a \$250 per pupil increase, subsequent to year end the Foundation allowance was increased by \$458 per pupil.
- Continued county funding for the Macomb Millage Enhancement, which is understood to remain in effect for a total of ten years.
- Continued improvement of academic achievement through changes in academic programs.

Since the Academy’s revenue is heavily dependent on State funding and the health of the State’s School Aid Fund, the actual revenue received depends on the State’s ability to collect revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State’s available resources will be throughout the remainder of its fiscal year. In spite of the current economic uncertainties we remain cautiously confident that the State will find the resources to sufficiently fund current appropriations.

### CONTACTING THE ACADEMY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy’s finances and to demonstrate the Academy’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy’s office at 36301 Utica Road, Charter Twp. of Clinton, MI 48305.

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# HURON ACADEMY

## STATEMENT OF NET POSITION JUNE 30, 2023

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$ 1,522,284
Investments - restricted for debt service and capital projects	1,131,821
Due from other governmental units	1,415,318
Prepaid expenses	<u>115,418</u>
Total current assets	4,184,841

#### Capital Assets - Net of Accumulated Depreciation / Amortization

7,890,742

Total assets \$ 12,075,583

### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

#### Current Liabilities

Accounts payable	\$ 42,947
Notes payable	36,362
Unearned revenue	151,456
Other accrued expenses	556,415
Long-term debt - current portion	<u>255,545</u>
Total current liabilities	1,042,725

#### Long-Term Debt - Long-Term Portion

7,565,686

#### Net Position

Net investment in capital assets	69,511
Restricted	1,828,906
Unrestricted	<u>1,568,755</u>
Total net position	<u>3,467,172</u>
Total liabilities, deferred inflows and net position	<u>\$ 12,075,583</u>

See accompanying notes to financial statements

# HURON ACADEMY

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u>		<b>Net (Expense) Revenues and Changes in Net Position</b>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<b>Government Type Activities</b>
<b>Functions</b>				
Instruction				
Basic programs	\$ 3,556,076	\$ -	\$ 1,022,082	\$ (2,533,994)
Added needs	935,874	-	903,404	(32,470)
Support services				
Pupil support services	124,135	-	107,404	(16,731)
Instructional staff support services	69,362	-	15,724	(53,638)
General administration	805,157	-	-	(805,157)
School administration	699,266	-	-	(699,266)
Business support services	5,810	-	-	(5,810)
Operations and maintenance	476,337	-	-	(476,337)
Pupil transportation services	541	-	200	(341)
Central support services	133,388	-	91,563	(41,825)
Athletic activities	7,010	-	-	(7,010)
Other student activities	68,477	72,160	-	3,683
Food services	314,372	1,355	342,878	29,861
Community services	176,036	-	-	(176,036)
Payments to other school districts	725	-	-	(725)
Unallocated depreciation / amortization	417,576	-	-	(417,576)
Unallocated interest	502,184	-	-	(502,184)
Total primary government	<u>\$ 8,292,326</u>	<u>\$ 73,515</u>	<u>\$ 2,483,255</u>	<u>(5,735,556)</u>
<b>General Purpose Revenues</b>				
State school aid - unrestricted				5,908,568
Miscellaneous revenues				282,154
Total general purpose revenues				<u>6,190,722</u>
Change in net position				455,166
Net position - July 1, 2022				<u>3,012,006</u>
Net position - June 30, 2023				<u>\$ 3,467,172</u>

See accompanying notes to financial statements



# HURON ACADEMY

## COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2023

### ASSETS

	ASSETS				Total
	General	Debt Service	Capital Projects	Non-Major	
Cash and cash equivalents	\$ 1,468,097	\$ -	\$ -	\$ 54,187	\$ 1,522,284
Investments	-	937,189	194,632	-	1,131,821
Due from other governmental units	1,415,318	-	-	-	1,415,318
Due from other funds	3,357	-	567,033	79,221	649,611
Prepaid expenses	115,418	-	-	-	115,418
<b>Total assets</b>	<b>\$ 3,002,190</b>	<b>\$ 937,189</b>	<b>\$ 761,665</b>	<b>\$ 133,408</b>	<b>\$ 4,834,452</b>

### LIABILITIES AND FUND BALANCE

#### Liabilities

Accounts payable	\$ 42,947	\$ -	\$ -	\$ -	\$ 42,947
Notes payable	36,362	-	-	-	36,362
Due to other funds	646,255	-	-	3,356	649,611
Unearned revenue	151,456	-	-	-	151,456
Other accrued expenses	475,526	-	-	-	475,526
<b>Total liabilities</b>	<b>1,352,546</b>	<b>-</b>	<b>-</b>	<b>3,356</b>	<b>1,355,902</b>

#### Deferred Inflows of Resources -

Unavailable revenue	1,800			-	1,800
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#### Fund Balance

Nonspendable	115,418	-	-	-	115,418
Restricted	-	937,189	761,665	130,052	1,828,906
Unassigned	1,532,426	-	-	-	1,532,426
<b>Total fund balance</b>	<b>1,647,844</b>	<b>937,189</b>	<b>761,665</b>	<b>130,052</b>	<b>3,476,750</b>
<b>Total liabilities and fund balance</b>	<b>\$ 3,002,190</b>	<b>\$ 937,189</b>	<b>\$ 761,665</b>	<b>\$ 133,408</b>	<b>\$ 4,834,452</b>

See accompanying notes to financial statements

## HURON ACADEMY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2023

Amounts reported for governmental activities in the statement of net position are different because:

<b>Total Governmental Fund Balances</b>	\$ 3,476,750
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$11,893,220 and the accumulated depreciation / amortization is \$4,002,478.	7,890,742
Deferred inflows of resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position.	1,800
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(80,889)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(7,821,231)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 3,467,172</u>

See accompanying notes to financial statements

## HURON ACADEMY

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2023

	General	Debt Service	Capital Projects	Non-Major	Total
<b>Revenues</b>					
Local sources	\$ 251,981	\$ 24,991	\$ 5,182	\$ 73,515	\$ 355,669
State sources	6,400,386	-	-	9,047	6,409,433
Federal sources	1,267,330	-	-	333,734	1,601,064
Interdistrict sources	379,526	-	-	-	379,526
Total governmental fund revenues	8,299,223	24,991	5,182	416,296	8,745,692
<b>Expenditures</b>					
Instruction					
Basic programs	3,556,076	-	-	-	3,556,076
Added needs	935,874	-	-	-	935,874
Support services					
Pupil support services	124,135	-	-	-	124,135
Instructional staff support services	69,362	-	-	-	69,362
General administration	793,927	-	11,230	-	805,157
School administration	699,266	-	-	-	699,266
Business support services	5,810	-	-	-	5,810
Operations and maintenance	476,337	-	-	-	476,337
Pupil transportation services	541	-	-	-	541
Central support services	120,451	-	12,937	-	133,388
Athletic activities	7,010	-	-	-	7,010
Other student activities	-	-	-	68,477	68,477
Food services	-	-	-	314,372	314,372
Community services	176,036	-	-	-	176,036
Payments to other school districts	725	-	-	-	725
Debt principal and interest	106,448	644,206	-	-	750,654
Total governmental fund expenditures	7,071,998	644,206	24,167	382,849	8,123,220
Excess (deficiency) of revenues over expenditures	1,227,225	(619,215)	(18,985)	33,447	622,472
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	648,830	273,689	-	922,519
Operating transfers out	(922,519)	-	-	-	(922,519)
Total other financing sources (uses)	(922,519)	648,830	273,689	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	304,706	29,615	254,704	33,447	622,472
Fund balance - July 1, 2022	1,343,138	907,574	506,961	96,605	2,854,278
Fund balance - June 30, 2023	\$ 1,647,844	\$ 937,189	\$ 761,665	\$ 130,052	\$ 3,476,750

See accompanying notes to financial statements

## HURON ACADEMY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 622,472</b>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Depreciation and amortization expense	(417,576)
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Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end.	1,800
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$ 250,137	
Interest expense	<u>(1,667)</u>	<u>248,470</u>

<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 455,166</u></b>
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# HURON ACADEMY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Huron Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

Huron 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 filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, in June 1999, and began operation in July 1999.

In May 1999, the Academy initially entered into a contract with the Ferris State University Board of Trustees to charter a public school academy. The contract has been renewed through the year ending June 30, 2030. 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. The University's Board of Trustees 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 Ferris State University Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2023 were approximately \$174,510.

In July 2011, the Academy renewed its agreement with CS Partners, "CSP" which has been renewed through June 2030 and runs coterminous with the authorizer agreement. Under the terms of this agreement, CSP provides a variety of management services including the support of the Academy's instructional and operational systems, as well as human resource functions. The Academy is obligated to pay CSP nine percent of its state aid. The total paid for these services amounted to approximately \$537,690 for the year ended June 30, 2023.

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 or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

#### **Fund Financial Statements**

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

#### **Basis of Presentation – Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities, are accounted for through a governmental fund.

**General Fund** - The general fund is used to record the general operations 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.

**Special Revenue Fund (Food Service)** - The special revenue fund, is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund. The special revenue fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

**Special Revenue Fund (Student Activities)** – The Academy presently maintains an activity fund to record the transactions of student groups for school and school-related purposes. The student activity fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the student activity fund will be covered by an operating transfer from the general fund.

**Debt Service Fund** - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

**Capital Projects Fund** - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for 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. Revenue from state sources is 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. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

#### Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

#### Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

#### Receivables

Receivables at June 30, 2023 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2023 and are considered current for the purposes of these financial statements.

#### Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

#### Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years



# HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2023

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Net Position

Net position represents the difference between assets, deferred outflows and liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

### Fund Equity

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 nonspendable and spendable. Nonspendable 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 nonspendable 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.
- 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.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

#### Leases

##### *Leases and Subscription Based IT Arrangements (SBITA)*

The Academy recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

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

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

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

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

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

#### Estimates

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

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

### NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2023 the budget was amended in a legally permissible manner. A comparison of amounts appropriated to actual expenditures is included on page 21 of these financial statements.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 3 – DEPOSITS AND INVESTMENTS

As of June 30, 2023, the Academy had the following investments:

<u>Type</u>	<u>S&amp;P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,522,284
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>1,131,821</u>
Total deposits and investments			<u>\$ 2,654,105</u>

The above amounts are reported in the financial statements as follows:

Deposits:			
Cash - General Fund			\$ 1,468,097
Cash - Special Revenue - Student Activities Fund			<u>54,187</u>
Subtotal			1,522,284
Investments:			
Investments - Debt Service Fund			937,189
Investments - Capital Projects Fund			<u>194,632</u>
Subtotal			<u>1,131,821</u>
Total deposits and investments			<u>\$ 2,654,105</u>

#### Interest Rate Risk

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

## **HURON ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### **NOTE 3 - DEPOSITS AND INVESTMENTS - Continued**

#### **Credit Risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2023, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

#### **Concentration of Credit Risk**

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represent 100% of the Academy's total investments.

#### **Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2023, \$1,276,331 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2023.

#### **Custodial Credit Risk - Investments**

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

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

#### **Foreign Currency Risk**

The Academy is not authorized to invest in investments which have this type of risk.

#### **Fair Value**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,186,527
Federal sources	<u>228,791</u>
Total	<u><u>\$ 1,415,318</u></u>

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets subject to depreciation and amortization				
Building	\$ 10,748,341	\$ -	\$ -	\$ 10,748,341
Right to use - copiers	47,960	-	-	47,960
Right to use - land	333,167	-	-	333,167
Equipment	763,752	-	-	763,752
Subtotal	11,893,220	-	-	11,893,220
Accumulated depreciation / amortization				
Building	2,893,523	334,479	-	3,228,002
Right to use - copiers	666	7,993	-	8,659
Right to use - land	66,633	66,633	-	133,266
Equipment	624,080	8,471	-	632,551
Subtotal	3,584,902	417,576	-	4,002,478
Total net capital assets	<u>\$ 8,308,318</u>	<u>\$ (417,576)</u>	<u>\$ -</u>	<u>\$ 7,890,742</u>

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

### NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2023 may be summarized as follows:

#### Loan Information

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Other</u>
SAAN 21-22	3.75%	August, 2022	Paid in full
SAAN 22-23	4.33%	August, 2023	Issued to provide funds to Academy to finance school operation; Secured by future state aid payments

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 6 – NOTES PAYABLE - Continued

#### Loan Activity

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2023</u>
SAAN 21-22	\$ 72,724	\$ -	\$ 72,724	\$ -
SAAN 22-23	-	200,000	163,638	36,362
	<u>\$ 72,724</u>	<u>\$ 200,000</u>	<u>\$ 236,362</u>	<u>\$ 36,362</u>

### NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 439,712	\$ 439,712
University oversight fee	35,617	35,617
Interest	81,086	197
Total other accrued expenses	<u>\$ 556,415</u>	<u>\$ 475,526</u>



## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2023:

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Direct borrowing - land	4.50%	August, 2025	25 year lease paid monthly. The lease is currently expected to be renewed in 2025.
Direct borrowing - copiers	4.50%	April, 2027	5 year lease paid monthly. The prior copier lease is included and will mature March of 2023.
Revenue Bond	5.00%	November, 2045	Interest payable twice a year, principal payable annually. Secured by facilities and pledge for 20% of state school aid payments.

#### Loan Activity

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Direct borrowing - land	\$ 258,798	\$ -	\$ 77,785	\$ 181,013	\$ 81,359
Direct borrowing - copiers	54,924	-	17,352	37,572	9,186
Revenue Bond	7,820,000	-	155,000	7,665,000	165,000
Totals	<u>\$ 8,133,722</u>	<u>\$ -</u>	<u>\$ 250,137</u>	\$ 7,883,585	<u>\$ 255,545</u>
Less unamortized discount				62,354	
				<u>\$ 7,821,231</u>	

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>
2024	\$ 255,545	\$ 486,233
2025	269,705	473,573
2026	204,608	461,595
2027	198,727	451,805
2028	200,000	440,874
2029 - 2033	1,205,000	2,002,019
2034 - 2038	1,620,000	1,567,431
2039 - 2043	2,215,000	953,303
2044 - 2046	1,715,000	172,545
Total	<u>\$ 7,883,585</u>	<u>\$ 7,009,378</u>

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 9 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its funds as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 648,830	\$ 273,689
Transfer Out	922,519	-	-

As stipulated by the Academy's revenue bond agreement as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. The general fund also subsidizes the Special Revenue Funds lunch activities. These above transactions account for the major activity in the Academy's interfund transfer accounts.

### NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## SUPPLEMENTARY INFORMATION

## HURON ACADEMY

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Local sources	\$ 182,000	\$ 199,000	\$ 251,981	\$ 52,981
State sources	6,010,657	6,584,334	6,400,386	(183,948)
Federal sources	1,318,977	1,064,579	1,267,330	202,751
Interdistrict sources	380,725	378,592	379,526	934
<b>Total general fund revenues</b>	<b>7,892,359</b>	<b>8,226,505</b>	<b>8,299,223</b>	<b>72,718</b>
<b>Expenditures</b>				
Instruction				
Basic programs	4,034,337	3,421,139	3,556,076	134,937
Added needs	850,433	960,565	935,874	(24,691)
Support services				
Pupil support services	171,235	216,995	124,135	(92,860)
Instructional staff support services	28,762	59,279	69,362	10,083
General administration	715,104	767,103	793,927	26,824
School administration	589,013	628,619	699,266	70,647
Business support services	13,700	13,700	5,810	(7,890)
Operations and maintenance	570,304	653,529	476,337	(177,192)
Pupil transportation services	250	650	541	(109)
Central support services	63,250	183,585	120,451	(63,134)
Athletic activities	-	5,000	7,010	2,010
Community services	121,553	167,828	176,036	8,208
Payments to other school districts	-	-	725	725
Debt principal and interest	-	-	106,448	106,448
<b>Total general fund expenditures</b>	<b>7,157,941</b>	<b>7,077,992</b>	<b>7,071,998</b>	<b>(5,994)</b>
Excess (deficiency) of revenues over expenditures	734,418	1,148,513	1,227,225	78,712
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(713,418)	(940,513)	(922,519)	17,994
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	21,000	208,000	304,706	96,706
Fund balance - July 1, 2022	1,343,138	1,343,138	1,343,138	-
Fund balance - June 30, 2023	\$ 1,364,138	\$ 1,551,138	\$ 1,647,844	\$ 96,706

# HURON ACADEMY

## COMBINING BALANCE SHEET - NON-MAJOR FUNDS JUNE 30, 2023

### ASSETS

	Special Revenue		Total
	Food Services	Student Activities	
Cash and cash equivalents	\$ -	\$ 54,187	\$ 54,187
Due from other funds	79,221	-	79,221
Total assets	<u>\$ 79,221</u>	<u>\$ 54,187</u>	<u>\$ 133,408</u>

### LIABILITIES AND FUND BALANCE

#### Liabilities

Due to other funds	\$ -	\$ 3,356	\$ 3,356
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#### Fund Balance

Restricted	<u>79,221</u>	<u>50,831</u>	<u>130,052</u>
Total liabilities and fund balance	<u>\$ 79,221</u>	<u>\$ 54,187</u>	<u>\$ 133,408</u>

## HURON ACADEMY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue		Total
	Food Services	Student Activities	
<b>Revenues</b>			
Local sources	\$ 1,355	\$ 72,160	\$ 73,515
State sources	9,047	-	9,047
Federal sources	333,734	-	333,734
Total governmental fund revenues	344,136	72,160	416,296
<b>Expenditures</b>			
Support services			
Other student activities	-	68,477	68,477
Food services	314,372	-	314,372
Total governmental fund expenditures	314,372	68,477	382,849
Excess (deficiency) of revenues over expenditures	29,764	3,683	33,447
Fund balance - July 1, 2022	49,457	47,148	96,605
Fund balance - June 30, 2023	\$ 79,221	\$ 50,831	\$ 130,052

## HURON ACADEMY

### SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

#### Local Sources

Other local revenues	\$ 251,981
----------------------	------------

#### State Sources

At risk	407,221
---------	---------

Special education	84,597
-------------------	--------

State aid	<u>5,908,568</u>
-----------	------------------

Total state sources	6,400,386
---------------------	-----------

#### Federal Sources

IDEA	84,151
------	--------

Title I	227,438
---------	---------

Title II A	33,308
------------	--------

Title III	22,101
-----------	--------

Other program revenue	<u>900,332</u>
-----------------------	----------------

Total federal sources	1,267,330
-----------------------	-----------

#### Interdistrict Sources

<u>379,526</u>
----------------

Total general fund revenues	<u>\$ 8,299,223</u>
-----------------------------	---------------------

## HURON ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

#### Basic Programs

Purchased services	\$ 3,460,729
Supplies and materials	86,854
Non-depreciable capital assets	3,806
Other expenditures	<u>4,687</u>
Total basic programs	3,556,076

#### Added Needs

Purchased services	892,167
Supplies and materials	<u>43,707</u>
Total added needs	935,874

#### Pupil Support Services

Guidance services	25,083
Psychological services	3,935
Speech pathology and audiology	53,240
Social work services	<u>41,877</u>
Total pupil support services	124,135

#### Instructional Staff Support Services

Purchased services	69,362
--------------------	--------

#### General Administration

Purchased services	758,945
Other expenditures	<u>34,982</u>
Total general administration	793,927

#### School Administration

Purchased services	675,431
Supplies and materials	22,850
Other expenditures	<u>985</u>
Total school administration	699,266



## HURON ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2023

#### **Business Support Services**

Other expenditures	5,810
--------------------	-------

#### **Operations and Maintenance**

Purchased services	268,896
Repairs and maintenance	131,905
Rentals	428
Supplies and materials	76,621
Non-depreciable capital assets	1,827
Other expenditures	<u>(3,340)</u>

Total operations and maintenance	476,337
----------------------------------	---------

#### **Pupil Transportation Services**

Repairs and maintenance	341
Other purchased services	<u>200</u>

Total pupil transportation services	541
-------------------------------------	-----

#### **Central Support Services**

Purchased services	25,856
Supplies and materials	<u>94,595</u>

Total central support services	120,451
--------------------------------	---------

#### **Athletic Activities**

Purchased services	7,010
--------------------	-------

#### **Community Services**

Purchased services	175,127
Supplies and materials	<u>909</u>

Total community services	176,036
--------------------------	---------

#### **Payments to Other School Districts**

725
-----

#### **Debt Principal and Interest**

<u>106,448</u>
----------------

Total general fund expenditures	<u><u>\$ 7,071,998</u></u>
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# APPENDIX

## Federal Awards Report



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

**To the Board of Directors  
of Huron Academy**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Huron Academy's basic financial statements, and have issued our report thereon dated October 30, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Huron Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Huron Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Huron Academy's internal control.

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Huron Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan  
October 30, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors  
of Huron Academy**

We have audited Huron Academy's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Huron Academy's major federal programs for the year ended June 30, 2023. Huron Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Huron Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Huron Academy and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Huron Academy's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Huron Academy's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Huron Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Huron Academy's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Huron Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Huron Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Huron Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

Rochester, Michigan  
October 30, 2023



# HURON ACADEMY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023	Current Year Cash Transferred To Subrecipient
<b>Clusters:</b>										
<b>Child Nutrition Cluster - U.S. Department of Agriculture - Passed Through Michigan Department of Education:</b>										
<b>National School Lunch Program:</b>										
COVID-19 - Supply Chain Assistance 2022-2023	220910 / 230910	10.555	\$ 26,600	\$ -	\$ -	\$ -	\$ 26,600	\$ 26,600	\$ -	\$ -
National School Lunch Program 2022-2023	221960 / 231960	10.555	250,174	-	-	-	250,174	250,174	-	-
<b>Total National School Lunch Program</b>		10.555	276,774	-	-	-	276,774	276,774	-	-
<b>National School Breakfast Program:</b>										
National School Breakfast Program 2022-2023	221970 / 231970	10.553	56,332	-	-	-	56,332	56,332	-	-
<b>Total Child Nutrition Cluster</b>			333,106	-	-	-	333,106	333,106	-	-
<b>Special Education Cluster - U.S. Department of Education - Passed through the Macomb ISD:</b>										
<b>IDEA Special Education – Formula Grants to ISDs:</b>										
IDEA Flowthrough 2122	220450	84.027A	95,077	95,077	40,207	-	40,207	-	-	-
IDEA Flowthrough 2223	230450	84.027A	84,151	-	-	-	54,290	84,152	29,862	-
<b>Total Special Education Cluster</b>			179,228	95,077	40,207	-	94,497	84,152	29,862	-
<b>Other Federal Awards:</b>										
<b>U.S. Department of Agriculture - Passed Through the Michigan Department of Education:</b>										
<b>Pandemic EBT Local Level Costs:</b>										
COVID-19 - Pandemic EBT Local Level Costs 2022	220980	10.649	628	-	-	-	628	628	-	-

See accompanying notes to schedule of expenditures of federal awards

# HURON ACADEMY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2023

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023	Current Year Cash Transferred To Subrecipient
<b>Other Federal Awards (Continued):</b>										
<b>U.S. Department of Education -</b>										
<b>Passed Through the Michigan Department of Education:</b>										
<b>Title I, Part A: Improving Basic Programs Operated by LEAS:</b>										
Title I, Part A 2122	221530	84.010A	223,828	223,828	72,767	-	72,767	-	-	-
Title I, Part A 2223	231530	84.010A	227,438	-	-	-	173,464	227,438	53,974	-
<b>Total Title I Part A</b>		84.010A	451,266	223,828	72,767	-	246,231	227,438	53,974	-
<b>Title III, Part A: English Language Acquisition:</b>										
Title III, Part A 2122	220570	84.365	2,364	2,364	1,050	-	1,050	-	-	-
Title III, Part A 2122	220580	84.365	18,537	18,537	6,929	-	6,929	-	-	-
Title III, Part A 2223	230570	84.365	1,466	-	-	-	1,303	1,466	163	-
Title III, Part A 2223	230580	84.365	20,635	-	-	-	20,635	20,635	-	-
<b>Total Title III Part A</b>		84.365	43,002	20,901	7,979	-	29,917	22,101	163	-
<b>Title II, Part A: Supporting Effective Instruction:</b>										
Title II, Part A 2122	220520	84.367	31,908	31,908	10,663	-	10,663	-	-	-
Title II, Part A 2223	230520	84.367	33,308	-	-	-	28,631	33,308	4,677	-
<b>Total Title II Part A</b>		84.367	65,216	31,908	10,663	-	39,294	33,308	4,677	-
<b>Title IV, Part A: Student Support and Academic Enrichment:</b>										
Title IV, Part A 2122	220750	84.424A	16,468	16,468	8,130	-	8,130	-	-	-
Title IV, Part A 2223	230750	84.424A	16,606	-	-	-	12,573	16,606	4,033	-
<b>Total Title IV Part A</b>		84.424A	33,074	16,468	8,130	-	20,703	16,606	4,033	-
<b>Education Stabilization Fund:</b>										
COVID-19 - Supplemental Elementary and Secondary School Emergency Relief (ESSER II) 2021										
	213712	84.425D	781,639	781,639	324,611	-	324,611	-	-	-
COVID-19 - ESSER III Formula – American Rescue Plan (ARP-ESSER) 2122										
	213713	84.425U	1,187,241	-	-	-	766,571	853,055	86,484	-
COVID-19 - ESSER II – Section 98c Per-Pupil Payments for Learning Loss 2223										
	213782	84.425D	32,470	-	-	-	-	32,470	32,470	-
<b>Total Education Stabilization Fund</b>		84.425	2,001,350	781,639	324,611	-	1,091,182	885,525	118,954	-
<b>Total Federal Awards</b>			<u>\$3,106,870</u>	<u>\$ 1,169,821</u>	<u>\$ 464,357</u>	<u>\$ -</u>	<u>\$1,855,558</u>	<u>\$1,602,864</u>	<u>\$ 211,663</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards

## HURON ACADEMY

### RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

#### Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements  
(includes all funds):

General Fund	\$ 1,267,330
Special Revenue Fund	<u>333,734</u>
Subtotal	1,601,064
Current year unavailable revenue not collected within 60 days	<u>1,800</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,602,864</u></u>

#### Receivables

Receivables from federal sources - As reported on financial statements	\$ 228,791
Timing difference between Michigan Department of Education payment per the Grant Auditor Report and Academy receipt	<u>(17,128)</u>
Federal receivables per the schedule of expenditures of federal awards	<u><u>\$ 211,663</u></u>

## HURON ACADEMY

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

#### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Huron Academy under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Huron Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Huron Academy.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### **NOTE 3 – INDIRECT COST RATE**

Huron Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

#### **NOTE 4 - NONCASH ASSISTANCE**

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

#### **NOTE 5 - GRANT AUDITOR REPORT**

Management has utilized the Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

# HURON ACADEMY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

### SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

#### *Financial Statements*

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
  - Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

#### *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

yes  no

Identification of major programs:

Assistance Listing Number(s)  
84.425

Name of Federal Program or Cluster  
Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b):

\$750,000

Auditee qualified as low-risk auditee?

yes  no

### SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

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**Huron Academy**  
**Annual Disclosure Report**  
**For the Fiscal Year ended June 30, 2022**

The leadership of Huron Academy is pleased to share with you some important information about the Academy for the 2021-22 school year. The Academy continues to be an important part of the educational community in Macomb County and surrounding areas.

Please see the information below. The leadership of the Academy is always happy to answer additional questions and can be reached by calling their School Leader, Josh Sobczak at (586) 690-8180 or emailing [sobczakj@huronacademy.org](mailto:sobczakj@huronacademy.org) or their financial representative, Laura Carpenter (810) 206-3244 or [lcarpenter@charterschoolpartners.com](mailto:lcarpenter@charterschoolpartners.com).

**Charter Contract Status**

The Academy is authorized through Ferris State University through June 30, 2023.  
<https://ferris.edu/charterschools/>

**Other Sources of Information**

The Academy publishes many documents on its website including its audited financial statements as well as its budgets. <https://www.huronacademy.org/budget-and-financial-transparency-reporting/>

**Leadership or Board Changes**

The school is led by Mr. Josh Sobczak and a team of experienced educators, Josh has worked as an assistant principal with the Academy for several years and succeeds Mr. Mark Talbot who retired in summer of 2022. Board members include: Jeffrey Duchene, Colleen Dickey, Katherine Colombo, Jim Perna, Ramzi Twal, Suzan Karadsheh and Jeffrey Parlow. Many of the Board members have served the Academy for several years.

**Annual Bond Covenant Compliance**

As of June 30, 2022, the Academy's:

- 1 Cash on Hand was equal to **\$748,562**.
- 2 Days Cash on Hand was **39.02** days (Cash on Hand in the amount of **\$748,562**, divided by the quotient of Operating Expenses of **\$6,136,153** for the fiscal year ended June 30, divided by 365).

The Academy's Debt Service Coverage Ratio for FY22 was **1.72**.

**Table 1- Enrollment**

Grade	Enrollment*						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
K	83	71	92	93	91	91	86
1	61	76	81	73	74	73	80
2	73	62	77	72	77	78	74
3	78	78	66	72	72	71	75
4	70	74	76	63	73	73	74
5	80	80	70	75	59	77	71
6	63	81	79	66	78	54	72
7	0	53	56	57	49	67	45
8	0	0	32	49	49	45	56
	<b>508</b>	<b>575</b>	<b>629</b>	<b>620</b>	<b>622</b>	<b>628</b>	<b>632</b>

*\*Based on Fall Count numbers*

**Table 2 - Foundation Allowance**

	Minimum Basic Foundation per pupil	PSA Max Per Pupil	Foundation Allowance Rec'd by the Academy
2021-22	\$ 8,700	\$ 8,700	\$ 8,700
2020-21	\$ 8,111	\$ 8,111	\$ 8,111
2019-20*	\$ 8,111	\$ 8,111	\$ 8,111
2018-19	\$ 7,871	\$ 7,871	\$ 7,871
2017-18	\$ 7,631	\$ 7,631	\$ 7,631
2016-17	\$ 7,511	\$ 7,511	\$ 7,511
2015-16	\$ 7,391	\$ 7,391	\$ 7,391
2014-15	\$ 7,126	\$ 7,218	\$ 7,218

*\*\$175 per-pupil reduction related to the COVID-19 pandemic was administered separately from foundation allowance*

**Short Term Borrowings**

The Academy continued borrowing on a short-term basis in FY22 to ensure the ability to meet its cash needs. During 2021-22, the Academy borrowed \$400,000 from Level One Bank (formerly Ann Arbor State Bank) to be repaid over 11 months of state aid. The Academy executed a similar agreement for \$200,000 in the 2022-23 school year.



# Student Performance

## Michigan Education Assessment Program Data

(Further analysis and information is available on a state data website:  
<https://www.mischooldata.org/Default.aspx>)

### NWEA Data



#### Student Growth Summary Report

Aggregate by School

Term: Spring 2021-2022  
 District: Huron Academy

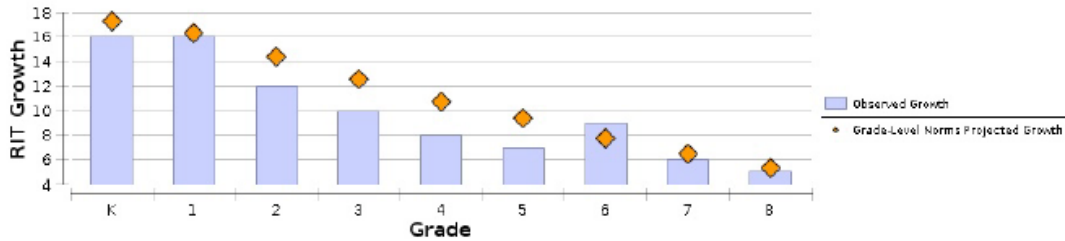
Norms Reference Data: 2020 Norms  
 Growth Comparison Period: Fall 2021 - Spring 2022  
 Weeks of Instruction: Start - 4 (Fall 2021)  
 End - 32 (Spring 2022)  
 Grouping: None  
 Small Group Display: No

#### Huron Academy

Math: Math K-12

Grade (Spring 2022)	Total Number of Growth Events <sup>1,2</sup>	Comparison Periods						Growth		Growth Evaluated Against						
		Fall 2021			Spring 2022			Observed Growth	Observed Growth SE	Grade-Level Norms			Student Norms			
		Mean RIT Score	Standard Deviation	Achievement Percentile	Mean RIT Score	Standard Deviation	Achievement Percentile			Projected School Growth	School Conditional Growth Index	School Conditional Growth Percentile	Number of Students With Growth Projections	Number of Students Who Met Their Growth Projection	Percentage of Students Who Met Growth Projection	Student Median Conditional Growth Percentile
K	82	141.8	10.2	85	157.7	11.4	55	18	0.9	17.2	-0.51	50	82	40	49	45
1	78	181.7	10.8	81	178.1	11.3	81	18	0.9	18.3	0.04	61	78	43	56	50
2	72	172.7	10.9	34	184.5	10.9	22	12	0.7	14.4	-1.13	13	72	23	32	30
3	71	187.2	10.5	42	188.9	11.2	26	10	0.7	12.5	-1.35	8	71	16	21	31
4	71	188.2	11.8	31	204.1	13.0	18	8	0.8	10.8	-1.44	7	71	21	30	32
5	87	208.2	10.7	34	213.8	13.3	27	7	0.7	9.3	-0.83	20	87	21	31	37
6	86	208.0	12.2	19	217.0	18.7	25	9	0.9	7.7	0.57	72	86	37	58	58
7	41	219.1	18.1	45	224.8	18.5	41	8	1.0	6.5	-0.48	32	41	18	44	35
8	68	222.0	18.1	38	227.4	17.7	38	6	0.7	5.3	0.03	61	68	29	52	48

Math: Math K-12





## Student Growth Summary Report

Aggregate by School

Term: Spring 2021-2022  
District: Huron Academy

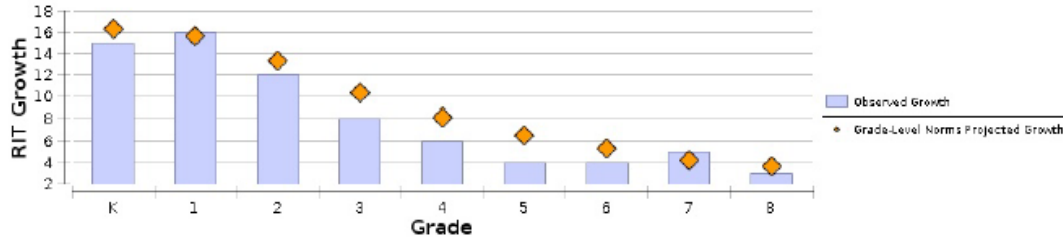
Norms Reference Data: 2020 Norms.  
Growth Comparison Period: Fall 2021 - Spring 2022  
Weeks of Instruction: Start - 4 (Fall 2021)  
End - 32 (Spring 2022)  
Grouping: None  
Small Group Display: No

### Huron Academy

Language Arts:  
Reading

Grade (Spring 2022)	Total Number of Growth Events	Comparison Periods						Growth		Growth Evaluated Against						
		Fall 2021			Spring 2022			Observed Growth	Observed Growth SE	Grade-Level Norms			Student Norms			
		Mean RIT Score	Standard Deviation	Achievement Percentile	Mean RIT Score	Standard Deviation	Achievement Percentile			Projected School Growth	School Conditional Growth Index	School Conditional Growth Percentile	Number of Students With Growth Projections	Number of Students Who Met Their Growth Projection	Percentage of Students Who Met Growth Projection	Student Median Conditional Growth Percentile
K	82	198.6	8.8	84	163.8	10.9	66	16	0.8	16.3	-0.39	36	82	40	48	47
1	78	167.8	10.8	83	174.3	11.4	87	18	0.8	16.8	0.34	83	78	44	68	68
2	72	176.1	13.0	88	188.9	13.0	67	12	1.0	13.3	-0.80	27	72	33	48	42
3	72	191.0	12.7	73	198.7	10.4	69	8	1.0	10.3	-1.23	11	72	30	42	41
4	71	198.8	12.9	61	203.2	11.4	41	8	0.8	8.1	-0.84	20	71	33	48	43
5	88	204.0	11.9	47	208.2	11.0	36	4	1.1	6.6	-1.18	12	88	23	36	32
6	86	207.7	13.0	37	211.8	11.8	30	4	1.1	5.3	-0.71	24	86	38	66	62
7	41	213.0	14.4	43	217.4	14.3	46	6	1.2	4.2	0.11	64	41	26	81	68
8	68	217.8	13.3	49	221.1	16.2	47	3	1.1	3.7	-0.23	41	68	32	67	64

### Language Arts: Reading



## Student Growth Summary Report

Aggregate by School

Term: Spring 2021-2022  
District: Huron Academy

Norms Reference Data: 2020 Norms.  
Growth Comparison Period: Fall 2021 - Spring 2022  
Weeks of Instruction: Start - 4 (Fall 2021)  
End - 32 (Spring 2022)  
Grouping: None  
Small Group Display: No

### Huron Academy

Science: Science K-12

Grade (Spring 2022)	Total Number of Growth Events	Comparison Periods						Growth		Growth Evaluated Against						
		Fall 2021			Spring 2022			Observed Growth	Observed Growth SE	Grade-Level Norms			Student Norms			
		Mean RIT Score	Standard Deviation	Achievement Percentile	Mean RIT Score	Standard Deviation	Achievement Percentile			Projected School Growth	School Conditional Growth Index	School Conditional Growth Percentile	Number of Students With Growth Projections	Number of Students Who Met Their Growth Projection	Percentage of Students Who Met Growth Projection	Student Median Conditional Growth Percentile
K	0	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**
1	0	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**
2	0	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**
3	71	191.9	9.8	76	198.0	9.7	61	4	0.8	7.8	-1.48	7	71	28	38	38
4	71	196.2	9.8	64	202.3	9.6	67	7	0.7	8.6	0.27	81	71	43	81	68
5	83	201.0	8.4	66	206.9	8.1	48	6	0.8	6.9	-0.49	31	83	29	48	42
6	86	203.8	10.8	48	208.2	12.0	48	6	0.8	4.8	-0.01	60	86	34	62	48
7	41	208.4	11.6	82	211.8	13.7	67	3	1.0	4.0	-0.28	39	41	26	81	63
8	64	210.8	11.8	68	216.4	12.8	82	6	1.0	3.3	0.49	89	64	30	66	61

### Science: Science K-12



**Audited Financial Statements**

**Huron Academy**  
Sterling Heights, Michigan

**June 30, 2022**

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## CONTENTS

	<u>Page</u>
<b>Independent Auditor’s Report</b>	i – iii
<b>Management’s Discussion and Analysis</b>	iv - ix
<b>Basic Financial Statements</b>	
Statement of Net Position	1
Statement of Activities	2
Combined Balance Sheet – All Governmental Funds	3
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7 - 20
<b>Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	21
Combining Balance Sheet – Non-Major Funds	22
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Funds	23
Schedule of Revenues – General Fund	24
Schedule of Expenditures – General Fund	25 - 26

## CONTENTS – Continued

	<u>Page</u>
<b>Appendix- Federal Awards Report</b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A-1 – A-2
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	A-3 – A-5
Schedule of Expenditures of Federal Awards	A-6 – A-7
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	A-8
Notes to Schedule of Expenditures of Federal Awards	A-9
Schedule of Findings and Questioned Costs	A-10



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Huron Academy

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Huron 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, each major fund, and the aggregate remaining fund information of Huron Academy, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Huron Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Adoption of New Accounting Standard**

As described in Note 11 to the financial statements, in 2022, the Academy adopted new accounting guidance, GASB Statement No. 87, *Leases*. 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 Huron 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 Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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



### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Huron Academy's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, schedules of revenues and expenditures, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedules of revenues and expenditures, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of Huron Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Huron Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Huron Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan  
October 28, 2022

## MANAGEMENT’S DISCUSSION AND ANALYSIS

Huron Academy is Preschool through 8th grade Public School Academy located in Sterling Heights, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Huron Academy administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2022.

### FINANCIAL HIGHLIGHTS OF THE ACADEMY

Table 1 - Basic Financial Information

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$ 8,700	\$ 8,111
Enrollment	680.2	630.32
General Fund Balance Increase/(Decrease)	\$ 199,493	\$ 113,438
General Fund Balance as Percent of Unrestricted State Aid Revenue	23%	20%

### OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

### FUND FINANCIAL STATEMENTS

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, the Academy’s major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statement, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.

The academy has one kind of fund:

Governmental fund – Most of the Academy’s basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that 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. Because this information does not encompass the additional long-term focus of the academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

## ACADEMY - WIDE FINANCIAL STATEMENTS

The Academy-wide financial statements are maintained using the “full accrual” basis. They report all of the Academy’s assets and liabilities, both short and long term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

**Figure A-1 Organization of Huron Academy’s Annual Financial Report**

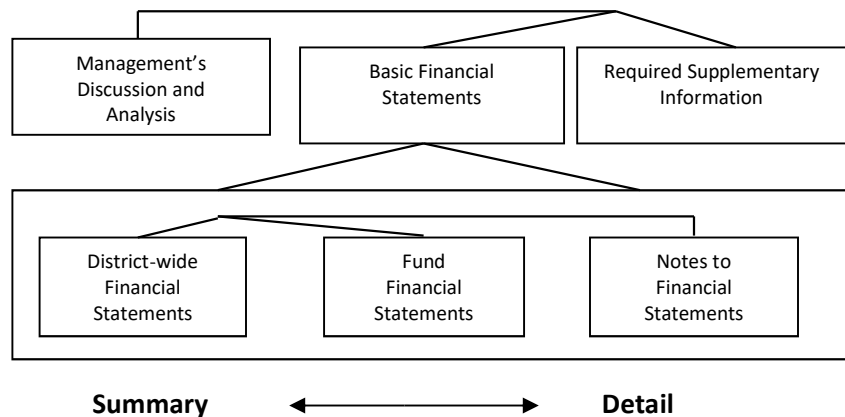


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements**

	<b>Academy-wide statements</b>	<b>Fund Financial Statements</b>
<b>Scope</b>	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary
<b>Required financial statements</b>	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

## FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Table 2 - Financial Results

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$ 1,343,138	\$ 1,143,645
Total General Fund Revenue	\$ 7,859,714	\$ 6,956,544
State Aid Foundation Allowance as percent of Academy Revenues	76%	80%
Total Cost of Instructional Programs	\$ 4,374,702	\$ 3,794,593
Instructional Expenditures as percent of Total Expenditures	59%	58%
Total Cost of Support/Operational Services	\$ 2,402,966	\$ 2,105,507
Support/Operational Services as percent of Total Expenditures	32%	32%
Total Expenditures transferred to Debt Service	\$ 648,744	\$ 649,763
Transfer to Debt Service as percent of Total Expenditures	9%	10%

## ACADEMY GOVERNMENTAL ACTIVITIES

### Summary of Net Position

The following summarizes the net position at fiscal year ended June 30, 2022 and 2021:

Table 3 - Net Position Detail

	<u>2022</u>	<u>2021 *</u>
<b>Assets</b>		
Current Assets	\$ 3,442,237	\$ 3,016,524
Capital Assets	11,893,220	11,479,880
Less: Accumulated Depreciation	(3,584,902)	(3,170,673)
Capital Assets, Net Book Value	<u>8,308,318</u>	<u>8,309,207</u>
Total Assets and Deferred Outflows	<u>\$ 11,750,555</u>	<u>\$ 11,325,731</u>
<b>Liabilities</b>		
Current Liabilities	\$ 926,602	\$ 909,620
Long-term Liabilities	<u>7,811,947</u>	<u>7,748,774</u>
Total Liabilities and Deferred Inflows	<u>\$ 8,738,549</u>	<u>\$ 8,658,394</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt (Deficit)	\$ 239,908	\$ 410,433
Restricted for Debt Service	1,511,140	552,608
Unrestricted	<u>1,260,958</u>	<u>1,704,296</u>
Total Net Position	<u>\$ 3,012,006</u>	<u>\$ 2,667,337</u>

\* The 2021 figures have not been updated for the adoption of GASB 87

## Results of Operations

For the fiscal year ended June 30, 2022 and 2021, the Academy wide results of operations were:

Table 4 - Change in Net Position

	2022		2021 *	
	Amount	% of Total	Amount	% of Total
<b>General Revenue:</b>				
State of Michigan Aid - All Sources	\$ 5,518,642	67.40%	\$ 5,175,577	72.18%
Other	13,858	0.17%	28,484	0.40%
<b>Total General Revenue</b>	<b>5,532,500</b>	<b>67.57%</b>	<b>5,204,061</b>	<b>72.58%</b>
<b>Program Revenue:</b>				
Charges for Services	248,916	3.04%	91,667	1.28%
Operating Grants - Federal and State	2,406,845	29.39%	1,873,786	26.14%
<b>Total Program Revenue</b>	<b>2,655,761</b>	<b>32.43%</b>	<b>1,965,453</b>	<b>27.42%</b>
<b>Total Revenue</b>	<b>8,188,261</b>	<b>100.00%</b>	<b>7,169,514</b>	<b>100.00%</b>
<b>Expenses:</b>				
Instruction and Instructional Services	4,374,702	55.78%	3,794,593	54.27%
Support Services	2,147,133	27.37%	2,016,345	28.83%
Food Service	223,174	2.85%	214,997	3.07%
Community Services	150,941	1.92%	114,722	1.64%
Unallocated Depreciation / Amortization	433,783	5.53%	346,903	4.96%
Interest on Long-term Debt	513,859	6.55%	505,872	7.23%
<b>Total Expenses</b>	<b>7,843,592</b>	<b>100.00%</b>	<b>6,993,432</b>	<b>100.00%</b>
<b>Change in Net Position</b>	<b>\$ 344,669</b>		<b>\$ 176,082</b>	

\* The 2021 figures have not been updated for the adoption of GASB 87

During the fiscal year ended June 30, 2022, the Academy's net position increased by \$344,669 as compared to a net increase of \$176,082 in the prior fiscal year. Factors affecting this significant improvement of current year over prior year include growth in unrestricted state revenues, the addition of pandemic-related federal revenues, the addition of new county millage funding and continued spending controls. Additional factors affecting the change in net position during the year are discussed below.

### State of Michigan Aid and Other Factors affecting Revenue

The State of Michigan aid is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. Huron Academy's foundation allowance was \$8,700.
- Student Enrollment: The Academy's general education student enrollment blend for 2021-2022 was 630.15. To calculate total state aid, a blend of 90% of the adjusted current-year fall count of 635.00 and 10% of the prior-year spring count of 630.00 was multiplied by the Academy's foundation allowance.

- The academy was able to increase enrollment and associated state funding slightly by offering both in-person and virtual learning options in an area where some schools offered no choice due to the COVID-19 pandemic.
- The Academy continues to receive federal monies in the way of ESSER funding. These funds are to be used to deliver a continued high-quality academic program and a continued response to Covid-19.
- Additional federal funding was available during the 2021-22 fiscal years to supplement summer school programs, credit recovery, before/after school care. Federal dollars can be applied for to provide students/families with items necessary for remote connectivity and learning. This funding is expected to be available again in fiscal year 2022-23.

Subsequent to June 30, 2022, preliminary student enrollments for 2022-2023 indicated that the 2023 fall student enrollment would remain at or surpass 2022-2023 levels.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Academy revised the annual operating budget two times.

Changes were made in the second and fourth quarters to account change in student enrollment, federal funding, and changes in assumptions (e.g. staffing changes, instructional, transportation, food services and community services) since the original budget was adopted.

The Academy's revenues from General Fund operations exceeded expenditures by \$199,493 for the fiscal year ended June 30, 2022.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The Academy's net investment in capital assets increased by \$80,173 during the fiscal year. This can be summarized as follows:

Table 5 - Capital Assets

	Beginning		Ending	
	Balance 6/30/21	Additions	Disposals	Balance 6/30/22
Building	\$ 10,748,341	\$ -	\$ -	\$ 10,748,341
Equipment	731,539	32,213	19,554	744,198
Right to use assets	352,721	47,960	-	400,681
Less: Accumulated Depreciation / Amortization	3,170,673	433,783	19,554	3,584,902
Net Investment in Capital Assets	\$ 8,661,928	\$ (353,610)	\$ -	\$ 8,308,318

### Depreciation/Amortization Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation/amortization expense and accumulated depreciation/amortization. The net increase in accumulated depreciation/amortization expense is a

reduction in net assets in the entity wide financial statements. Depreciation/amortization is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy’s financial statements.

For fiscal year ended June 30, 2022, the net increase in accumulated depreciation/amortization was \$433,783.

Depreciation/amortization expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation/amortization expense is recorded based on the original cost of the asset, less an estimated salvage value.

**Debt, Principal Payments**

A summary of long-term debt service activities is as follows.

Table 6 - Debt, Principal Payments

	Balance 6/30/2021	New Financings	Principal Payments	Balance 6/30/2022
Revenue Bond	\$ 7,970,000	\$ -	\$ 150,000	\$ 7,820,000
Notes and Lease Payable	352,721	47,960	86,959	313,722
<b>Total Long-term Obligations</b>	<b>\$ 8,322,721</b>	<b>\$ 47,960</b>	<b>\$ 236,959</b>	<b>\$ 8,133,722</b>

**ECONOMIC FACTORS BEARING ON THE ACADEMY’S FUTURE**

The Preliminary Budget for the 2022-23 fiscal year was adopted by the Board of Directors in June 2022. As funding information for 2022-2023 was generally still unknown during budget preparation, budget projections were estimated by management and school leadership conservatively knowing that more information about the 2022-2023 year would be released during summer 2022. Key factors affecting the 2022-2023 budget preparation process include:

- A decrease in enrollment to continue budgeting conservatively;
- A modest increase in foundation allowance of only \$250 per pupil;
- Continued county funding for the Macomb Millage Enhancement, which is understood to remain in effect for a total of ten years;
- Continued investment in staff retention with budgeted pay increases;
- Utilization of federal funding from the CARES Act (ESSER II) and ARP-ESSER (ESSER III) to preserve staff positions and to invest in acquiring and retaining the best staff possible.

Since the Academy’s revenue is heavily dependent on State funding and the health of the State’s School Aid Fund, the actual revenue received depends on the State’s ability to collect revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State’s available resources will be throughout the remainder of its fiscal year. In spite of the current economic uncertainties related to the COVID-19 pandemic, we remain cautiously confident that the State will find the resources to sufficiently fund current appropriations.

**CONTACTING THE ACADEMY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy’s finances and to demonstrate the Academy’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy’s office at 36301 Utica Road, Charter Twp. of Clinton, MI 48305.

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# HURON ACADEMY

## STATEMENT OF NET POSITION JUNE 30, 2022

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$ 706,494
Investments - restricted for debt service and capital projects	1,075,084
Due from other governmental units	1,535,217
Prepaid expenses	<u>125,442</u>
Total current assets	3,442,237

#### Capital Assets - Net of Accumulated Depreciation / Amortization

8,308,318

Total assets and deferred outflows \$ 11,750,555

### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

#### Current Liabilities

Accounts payable	\$ 29,634
Notes payable	72,724
Unearned revenue	492
Other accrued expenses	567,289
Long-term debt - current portion	<u>256,463</u>
Total current liabilities	926,602

#### Long-Term Debt - Long-Term Portion

7,811,947

#### Net Position

Net investment in capital assets	239,908
Restricted	1,511,140
Unrestricted	<u>1,260,958</u>
Total net position	<u>3,012,006</u>
Total liabilities, deferred inflows and net position	<u>\$ 11,750,555</u>

See accompanying notes to financial statements

## HURON ACADEMY

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
<b>Functions</b>				
Instruction				
Basic programs	\$ 3,562,920	\$ 124,831	\$ 1,090,039	\$ (2,348,050)
Added needs	811,782	-	811,782	-
Support services				
Pupil support services	160,170	-	160,170	-
Instructional staff support services	21,531	-	1,500	(20,031)
General administration	706,840	-	-	(706,840)
School administration	643,102	-	-	(643,102)
Business support services	9,273	-	-	(9,273)
Operations and maintenance	481,001	-	47,838	(433,163)
Pupil transportation services	355	-	-	(355)
Central support services	73,371	-	-	(73,371)
Other student activities	44,161	55,733	-	11,572
Food services	223,174	2,115	270,516	49,457
Community services	150,941	66,237	25,000	(59,704)
Payments to other school districts	7,329	-	-	(7,329)
Unallocated depreciation / amortization	433,783	-	-	(433,783)
Unallocated interest	513,859	-	-	(513,859)
Total primary government	\$ 7,843,592	\$ 248,916	\$ 2,406,845	(5,187,831)
<b>General Purpose Revenues</b>				
State school aid - unrestricted				5,518,642
Miscellaneous revenues				13,858
Total general purpose revenues				5,532,500
Change in net position				344,669
Net position - July 1, 2021				2,667,337
Net position - June 30, 2022				\$ 3,012,006

See accompanying notes to financial statements

## HURON ACADEMY

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2022

#### ASSETS

	General	Debt Service	Capital Projects	Non-Major	Total
Cash and cash equivalents	\$ 655,990	\$ -	\$ -	\$ 50,504	\$ 706,494
Investments	-	907,574	167,510	-	1,075,084
Due from other governmental units	1,535,217	-	-	-	1,535,217
Due from other funds	3,356	-	339,451	49,457	392,264
Prepaid expenses	125,442	-	-	-	125,442
Total assets	\$ 2,320,005	\$ 907,574	\$ 506,961	\$ 99,961	\$ 3,834,501

#### LIABILITIES AND FUND BALANCE

##### Liabilities

Accounts payable	\$ 29,634	\$ -	\$ -	\$ -	\$ 29,634
Notes payable	72,724	-	-	-	72,724
Due to other funds	388,908	-	-	3,356	392,264
Unearned revenue	492	-	-	-	492
Other accrued expenses	485,109	-	-	-	485,109
Total liabilities	976,867	-	-	3,356	980,223

##### Fund Balance

Nonspendable	125,442	-	-	-	125,442
Restricted	-	907,574	506,961	96,605	1,511,140
Unassigned	1,217,696	-	-	-	1,217,696
Total fund balance	1,343,138	907,574	506,961	96,605	2,854,278
Total liabilities and fund balance	\$ 2,320,005	\$ 907,574	\$ 506,961	\$ 99,961	\$ 3,834,501

See accompanying notes to financial statements

## HURON ACADEMY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:

<b>Total Governmental Fund Balances</b>	\$ 2,854,278
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$11,893,220 and the accumulated depreciation / amortization is \$3,584,902.	8,308,318
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(82,180)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(8,068,410)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 3,012,006</u>

See accompanying notes to financial statements

## HURON ACADEMY

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	General	Debt Service	Capital Projects	Non-Major	Total
<b>Revenues</b>					
Local sources	\$ 204,743	\$ 153	\$ 30	\$ 57,848	\$ 262,774
State sources	5,935,202	-	-	4,603	5,939,805
Federal sources	1,329,307	-	-	265,913	1,595,220
Interdistrict sources	390,462	-	-	-	390,462
Total governmental fund revenues	7,859,714	153	30	328,364	8,188,261
<b>Expenditures</b>					
Instruction					
Basic programs	3,562,920	-	-	-	3,562,920
Added needs	811,782	-	-	-	811,782
Support services					
Pupil support services	160,170	-	-	-	160,170
Instructional staff support services	21,531	-	-	-	21,531
General administration	705,340	-	1,500	-	706,840
School administration	643,102	-	-	-	643,102
Business support services	9,273	-	-	-	9,273
Operations and maintenance	481,001	-	-	-	481,001
Pupil transportation services	355	-	-	-	355
Central support services	44,429	-	28,942	-	73,371
Other student activities	-	-	-	44,161	44,161
Food services	-	-	-	223,174	223,174
Community services	150,941	-	-	-	150,941
Payments to other school districts	7,329	-	-	-	7,329
Capital outlay	80,173	-	-	-	80,173
Debt principal and interest	99,322	646,832	-	-	746,154
Total governmental fund expenditures	6,777,668	646,832	30,442	267,335	7,722,277
Excess (deficiency) of revenues over expenditures	1,082,046	(646,679)	(30,412)	61,029	465,984
<b>Other Financing Sources (Uses)</b>					
Proceeds from leases	47,960	-	-	-	47,960
Operating transfers in	-	648,744	281,769	-	930,513
Operating transfers out	(930,513)	-	-	-	(930,513)
Total other financing sources (uses)	(882,553)	648,744	281,769	-	47,960
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	199,493	2,065	251,357	61,029	513,944
Fund balance - July 1, 2021	1,143,645	905,509	255,604	35,576	2,340,334
Fund balance - June 30, 2022	\$ 1,343,138	\$ 907,574	\$ 506,961	\$ 96,605	\$ 2,854,278

See accompanying notes to financial statements

## HURON ACADEMY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	513,944
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	80,173	
Depreciation and amortization expense		<u>(433,783)</u>	(353,610)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from long-term debt	\$	(47,960)	
Repayment of loan principal		236,959	
Interest expense		<u>(4,664)</u>	<u>184,335</u>

<b>Change in Net Position of Governmental Activities</b>	\$	<u><u>344,669</u></u>
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See accompanying notes to financial statements

# HURON ACADEMY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Huron Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

Huron 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 filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, in June 1999, and began operation in July 1999.

In May 1999, the Academy initially entered into a contract with the Ferris State University Board of Trustees to charter a public school academy. The contract has been renewed through the year ending June 30, 2023. 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. The University’s Board of Trustees 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 Ferris State University Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2022 were approximately \$163,150.

In July 2011, the Academy renewed its agreement with CS Partners, "CSP" which has been renewed through June 2023. Under the terms of this agreement, CSP provides a variety of management services including the support of the Academy’s instructional and operational systems, as well as human resource functions. The Academy is obligated to pay CSP nine percent of its state aid. The total paid for these services amounted to approximately \$498,870 for the year ended June 30, 2022.

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 or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

#### **Fund Financial Statements**

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

#### **Basis of Presentation – Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities, are accounted for through a governmental fund.

**General Fund** - The general fund is used to record the general operations 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.

**Special Revenue Fund (Food Service)** - The special revenue fund, is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund. The special revenue fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

**Special Revenue Fund (Student Activities)** – The Academy presently maintains an activity fund to record the transactions of student groups for school and school-related purposes. The student activity fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the student activity fund will be covered by an operating transfer from the general fund.

**Debt Service Fund** - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

**Capital Projects Fund** - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.



## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for 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. Revenue from state sources is 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. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

#### Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

#### Receivables

Receivables at June 30, 2022 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2022 and are considered current for the purposes of these financial statements.

#### Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

#### Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. 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. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

# HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Net Position

Net position represents the difference between assets, deferred outflows and liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

### Fund Equity

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 nonspendable and spendable. Nonspendable 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 nonspendable 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.
- 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.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

#### Leases

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

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

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

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

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

#### Estimates

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

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### Upcoming Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

### NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2022 the budget was amended in a legally permissible manner. A comparison of amounts appropriated to actual expenditures is included on page 21 of these financial statements.

### NOTE 3 – DEPOSITS AND INVESTMENTS

As of June 30, 2022, the Academy had the following investments:

<u>Type</u>	<u>S&amp;P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 706,494
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>1,075,084</u>
Total deposits and investments			<u>\$ 1,781,578</u>

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 3 – DEPOSITS AND INVESTMENTS - Continued

The above amounts are reported in the financial statements as follows:

Deposits:

Cash - General Fund	\$ 655,990
Cash - Special Revenue - Student Activities Fund	<u>50,504</u>
Subtotal	706,494

Investments:

Investments - Debt Service Fund	907,574
Investments - Capital Projects Fund	<u>167,510</u>
Subtotal	<u>1,075,084</u>
Total deposits and investments	<u><u>\$ 1,781,578</u></u>

#### Interest Rate Risk

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

#### Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2022, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

#### Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represent 100% of the Academy's total investments.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

#### Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2022, \$499,506 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2022.

#### Custodial Credit Risk - Investments

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

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

#### Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

#### Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,070,860
Federal sources	<u>464,357</u>
Total	<u>\$ 1,535,217</u>

### NOTE 5 - CAPITAL ASSETS

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

	<b>As Restated Balance July 1, 2021</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2022</b>
Capital assets subject to depreciation and amortization				
Building	\$ 10,748,341	\$ -	\$ -	\$ 10,748,341
Right to use - copiers	19,554	47,960	19,554	47,960
Right to use - land	333,167	-	-	333,167
Equipment	<u>731,539</u>	<u>32,213</u>	<u>-</u>	<u>763,752</u>
Subtotal	11,832,601	80,173	19,554	11,893,220
Accumulated depreciation / amortization				
Building	2,550,002	343,521	-	2,893,523
Right to use - copiers	-	20,220	19,554	666
Right to use - land	-	66,633	-	66,633
Equipment	<u>620,671</u>	<u>3,409</u>	<u>-</u>	<u>624,080</u>
Subtotal	<u>3,170,673</u>	<u>433,783</u>	<u>19,554</u>	<u>3,584,902</u>
Total net capital assets	<u>\$ 8,661,928</u>	<u>\$ (353,610)</u>	<u>\$ -</u>	<u>\$ 8,308,318</u>

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.



## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2022 may be summarized as follows:

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 20-21	4.25%	August, 2021	Paid in full
SAAN 21-22	3.75%	August, 2022	Issued to provide funds to Academy to finance school operation; Secured by future state aid payments

#### Loan Activity

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2022</u>
SAAN 20-21	\$ 90,914	\$ -	\$ 90,914	\$ -
SAAN 21-22	-	400,000	327,276	72,724
	<u>\$ 90,914</u>	<u>\$ 400,000</u>	<u>\$ 418,190</u>	<u>\$ 72,724</u>

### NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 451,295	\$ 451,295
University oversight fee	33,643	33,643
Interest	82,351	171
Total other accrued expenses	<u>\$ 567,289</u>	<u>\$ 485,109</u>

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2022:

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Direct borrowing - land	4.50%	August, 2025	25 year lease paid monthly. The lease is currently expected to be renewed in 2025.
Direct borrowing - copiers	4.50%	April, 2027	5 year lease paid monthly. The prior copier lease is included and will mature March of 2023.
Revenue Bond	5.00%	November, 2045	Interest payable twice a year, principal payable annually. Secured by facilities and pledge for 20% of state school aid payments.

#### Loan Activity

	<u>As Restated Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Direct borrowing - land	\$ 333,167	\$ -	\$ 74,369	\$ 258,798	\$ 84,111
Direct borrowing - copiers	19,554	47,960	12,590	54,924	17,352
Revenue Bond	7,970,000	-	150,000	7,820,000	155,000
Totals	<u>\$ 8,322,721</u>	<u>\$ 47,960</u>	<u>\$ 236,959</u>	\$ 8,133,722	<u>\$ 256,463</u>
Less unamortized discount				<u>65,312</u>	
				<u>\$ 8,068,410</u>	

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE - 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>
2023	\$ 256,463	\$ 501,329
2024	255,545	489,190
2025	269,705	476,531
2026	204,608	464,553
2027	192,401	454,762
2028 - 2032	1,135,000	2,087,006
2033 - 2037	1,525,000	1,681,959
2038 - 2042	2,080,000	1,109,344
2043 - 2046	<u>2,215,000</u>	<u>311,344</u>
Total	<u>\$ 8,133,722</u>	<u>\$ 7,576,018</u>

### NOTE 9 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its funds as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 648,744	\$ 281,769
Transfer Out	930,513	-	-

As stipulated by the Academy's revenue bond agreement as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. The general fund also subsidizes the Special Revenue Funds lunch activities. These above transactions account for the major activity in the Academy's interfund transfer accounts.

## HURON ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the Academy implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

#### Summary

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The restatement of the beginning of the year balances had no impact on net position. The changes to capital assets and long-term obligations is as follows:

	<u>Capital Assets</u>	<u>Long Term Obligations</u>
Balances as of July 1, 2021, as previously stated	\$ 8,309,207	\$ 7,970,000
Adoption of GASB Statement 87	<u>352,721</u>	<u>352,721</u>
Balances as of July 1, 2021, as restated	<u>\$ 8,661,928</u>	<u>\$ 8,322,721</u>

# SUPPLEMENTARY INFORMATION

## HURON ACADEMY

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Local sources	\$ 123,000	\$ 188,870	\$ 204,743	\$ 15,873
State sources	5,450,076	5,904,110	5,935,202	31,092
Federal sources	715,795	1,280,557	1,329,307	48,750
Interdistrict sources	<u>353,479</u>	<u>380,725</u>	<u>390,462</u>	<u>9,737</u>
Total general fund revenues	6,642,350	7,754,262	7,859,714	105,452
<b>Expenditures</b>				
Instruction				
Basic programs	3,164,548	3,397,834	3,562,920	165,086
Added needs	803,807	890,492	811,782	(78,710)
Support services				
Pupil support services	132,293	141,562	160,170	18,608
Instructional staff support services	32,982	22,786	21,531	(1,255)
General administration	643,939	704,552	705,340	788
School administration	500,989	621,995	643,102	21,107
Business support services	13,700	13,700	9,273	(4,427)
Operations and maintenance	511,660	533,396	481,001	(52,395)
Pupil transportation services	-	250	355	105
Central support services	65,250	104,000	44,429	(59,571)
Community services	107,958	163,960	150,941	(13,019)
Payments to other school districts	14,000	-	7,329	7,329
Capital outlay	-	-	80,173	80,173
Debt principal and interest	<u>-</u>	<u>150,000</u>	<u>99,322</u>	<u>(50,678)</u>
Total general fund expenditures	<u>5,991,126</u>	<u>6,744,527</u>	<u>6,777,668</u>	<u>33,141</u>
Excess (deficiency) of revenues over expenditures	651,224	1,009,735	1,082,046	72,311
<b>Other Financing Sources (Uses)</b>				
Proceeds from leases	-	-	47,960	47,960
Operating transfers out	<u>(706,224)</u>	<u>(945,735)</u>	<u>(930,513)</u>	<u>15,222</u>
Total other financing sources (uses)	<u>(706,224)</u>	<u>(945,735)</u>	<u>(882,553)</u>	<u>63,182</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(55,000)	64,000	199,493	135,493
Fund balance - July 1, 2021	<u>1,143,645</u>	<u>1,143,645</u>	<u>1,143,645</u>	<u>-</u>
Fund balance - June 30, 2022	<u>\$ 1,088,645</u>	<u>\$ 1,207,645</u>	<u>\$ 1,343,138</u>	<u>\$ 135,493</u>

# HURON ACADEMY

## COMBINING BALANCE SHEET - NON-MAJOR FUNDS JUNE 30, 2022

### ASSETS

	<u>Special Revenue</u>		<u>Total</u>
	<u>Food Services</u>	<u>Student Activities</u>	
Cash and cash equivalents	\$ -	\$ 50,504	\$ 50,504
Due from other funds	49,457	-	49,457
Total assets	<u>\$ 49,457</u>	<u>\$ 50,504</u>	<u>\$ 99,961</u>

### LIABILITIES AND FUND BALANCE

#### Liabilities

Due to other funds	\$ -	\$ 3,356	3,356
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#### Fund Balance

Restricted	49,457	47,148	96,605
Total liabilities and fund balance	<u>\$ 49,457</u>	<u>\$ 50,504</u>	<u>\$ 99,961</u>

## HURON ACADEMY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue		Total
	Food Services	Student Activities	
<b>Revenues</b>			
Local sources	\$ 2,115	\$ 55,733	\$ 57,848
State sources	4,603	-	4,603
Federal sources	265,913	-	265,913
Total governmental fund revenues	272,631	55,733	328,364
<b>Expenditures</b>			
Support services			
Other student activities	-	44,161	44,161
Food services	223,174	-	223,174
Total governmental fund expenditures	223,174	44,161	267,335
Excess (deficiency) of revenues over expenditures	49,457	11,572	61,029
Fund balance - July 1, 2021	-	35,576	35,576
Fund balance - June 30, 2022	\$ 49,457	\$ 47,148	\$ 96,605



## HURON ACADEMY

### SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

#### Local Sources

Other local revenues	\$ 204,743
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#### State Sources

At risk	353,265
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Special education	63,295
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State aid	<u>5,518,642</u>
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Total state sources	5,935,202
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#### Federal Sources

IDEA	116,163
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Title I	223,828
---------	---------

Title II A	31,908
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Title III	20,901
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Other program revenue	<u>936,507</u>
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Total federal sources	1,329,307
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#### Interdistrict Sources

<u>390,462</u>
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Total general fund revenues	<u><u>\$ 7,859,714</u></u>
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## HURON ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

#### Basic Programs

Purchased services	\$ 3,364,122
Rentals	7,639
Supplies and materials	174,638
Non-depreciable capital assets	16,115
Other expenditures	406
	<hr/>
Total basic programs	3,562,920

#### Added Needs

Purchased services	804,172
Supplies and materials	7,610
	<hr/>
Total added needs	811,782

#### Pupil Support Services

Guidance services	54,670
Psychological services	14,708
Speech pathology and audiology	54,191
Social work services	36,601
	<hr/>
Total pupil support services	160,170

#### Instructional Staff Support Services

Purchased services	21,531
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#### General Administration

Purchased services	690,220
Other expenditures	15,120
	<hr/>
Total general administration	705,340

#### School Administration

Purchased services	622,733
Supplies and materials	20,369
	<hr/>
Total school administration	643,102

## HURON ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2022

#### **Business Support Services**

Other expenditures	9,273
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#### **Operations and Maintenance**

Purchased services	245,370
Repairs and maintenance	150,425
Rentals	5
Supplies and materials	85,201

Total operations and maintenance	481,001
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#### **Pupil Transportation Services**

Repairs and maintenance	355
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#### **Central Support Services**

Purchased services	36,036
Supplies and materials	8,393

Total central support services	44,429
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#### **Community Services**

Purchased services	150,633
Supplies and materials	308

Total community services	150,941
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#### **Payments to Other School Districts**

7,329
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#### **Capital Outlay**

80,173
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#### **Debt Principal and Interest**

99,322
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Total general fund expenditures	<u>\$ 6,777,668</u>
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# APPENDIX

## Federal Awards Report



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

**To the Board of Directors  
of Huron Academy**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Huron Academy's basic financial statements, and have issued our report thereon dated October 28, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Huron Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Huron Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Huron Academy's internal control.

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Huron Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan  
October 28, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors  
of Huron Academy**

We have audited Huron Academy's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Huron Academy's major federal programs for the year ended June 30, 2022. Huron Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Huron Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Huron Academy and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Huron Academy's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Huron Academy's federal programs.



### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Huron Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Huron Academy's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Huron Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Huron Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Huron Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan  
October 28, 2022

# HURON ACADEMY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2022	Current Year Cash Transferred To Subrecipient
<b>Clusters:</b>										
<b>Child Nutrition Cluster - U.S. Department of Agriculture -</b>										
<b>Passed Through Michigan Department of Education:</b>										
<b>Noncash Assistance (Commodities) -</b>										
National School Lunch Program Commodities 2021-2022	N/A	10.555	\$ 19,132	\$ -	\$ -	\$ -	\$ 16,572	\$ 16,572	\$ -	\$ -
<b>Cash Assistance:</b>										
COVID-19 - Seamless Summer Option (SSO) - Lunch 2021-2022	211961/221961	10.555	223,710	-	-	-	223,710	223,710	-	-
COVID-19 - Emergency Operations - SNP Meals 2021	211965	10.555	1,872	-	-	-	1,872	1,872	-	-
COVID-19 - Supply Chain Assistance 2022	220910	10.555	15,841	-	-	-	15,841	15,841	-	-
<b>Total Cash and Noncash Assistance</b>		10.555	260,555	-	-	-	257,995	257,995	-	-
COVID-19 - Seamless Summer Option (SSO) - Breakfast 2021-2022	211971/221971	10.553	7,304	-	-	-	7,304	7,304	-	-
COVID-19 - Extended Summer Food Service Program 2020-2021	210904	10.559	142,696	142,696	12,979	-	12,979	-	-	-
<b>Total Child Nutrition Cluster</b>			410,555	142,696	12,979	-	278,278	265,299	-	-
<b>Special Education Cluster - U.S. Department of Education -</b>										
<b>Passed through the Macomb ISD:</b>										
<b>IDEA Special Education -- Formula Grants to ISDs:</b>										
IDEA Flowthrough 2021	210450	84.027A	85,967	85,967	48,247	-	48,247	-	-	-
IDEA Flowthrough 2122	220450	84.027A	95,077	-	-	-	54,870	95,077	40,207	-
<b>Total IDEA Flowthrough</b>		84.027A	181,044	85,967	48,247	-	103,117	95,077	40,207	-
<b>American Rescue Plan Individuals with Disabilities Education Act (ARP-IDEA):</b>										
COVID-19 - ARP-IDEA 2122	221280	84.027X	21,086	-	-	-	21,086	21,086	-	-
<b>Total Special Education Cluster</b>			202,130	85,967	48,247	-	124,203	116,163	40,207	-
<b>Other Federal Awards:</b>										
<b>U.S. Department of Agriculture -</b>										
<b>Passed Through the Michigan Department of Education:</b>										
<b>Pandemic EBT Local Level Costs:</b>										
COVID-19 - Pandemic EBT Local Level Costs 2021	210980	10.649	614	-	-	-	614	614	-	-

See accompanying notes to schedule of expenditures of federal awards

**HURON ACADEMY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022**

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2022	Current Year Cash Transferred To Subrecipient
<b>Other Federal Awards (Continued):</b>										
U.S. Department of Education - Passed Through the Michigan Department of Education:										
<b>Title I, Part A: Improving Basic Programs Operated by LEAS:</b>										
Title I Part A 2021	211530	84.010A	226,204	226,204	126,277	-	126,277	-	-	-
Title I Part A 2122	221530	84.010A	223,828	-	-	-	151,061	223,828	72,767	-
<b>Total Title I Part A</b>		84.010A	450,032	226,204	126,277	-	277,338	223,828	72,767	-
<b>Title III, Part A: English Language Acquisition:</b>										
Title III Part A 2021	210570	84.365	2,172	2,172	1,491	-	1,491	-	-	-
Title III Part A 2021	210580	84.365	18,523	18,523	11,025	-	11,025	-	-	-
Title III Part A 2122	220570	84.365	2,364	-	-	-	1,314	2,364	1,050	-
Title III Part A 2122	220580	84.365	18,537	-	-	-	11,608	18,537	6,929	-
<b>Total Title III Part A</b>		84.365	41,596	20,695	12,516	-	25,438	20,901	7,979	-
<b>Title II, Part A, Supporting Effective Instruction:</b>										
Title II Part A 2021	210520	84.367	36,956	31,684	16,545	-	16,545	-	-	-
Title II Part A 2122	220520	84.367	31,908	-	-	-	21,245	31,908	10,663	-
<b>Total Title II Part A</b>		84.367	68,864	31,684	16,545	-	37,790	31,908	10,663	-
<b>Title IV, Part A, Student Support and Academic Enrichment:</b>										
Title IV Part A 2021	210750	84.424A	14,920	14,920	9,139	-	9,139	-	-	-
Title IV Part A 2122	220750	84.424A	16,468	-	-	-	8,338	16,468	8,130	-
<b>Total Title IV Part A</b>		84.424A	31,388	14,920	9,139	-	17,477	16,468	8,130	-
<b>Education Stabilization Fund:</b>										
COVID-19 - Governor's Emergency Education Relief (GEER) Fund 2021	201200	84.425C	56,474	56,474	23,624	-	23,624	-	-	-
COVID-19 - Education Equity (ESSER) 1920	203720	84.425D	25,103	25,103	25,103	-	25,103	-	-	-
COVID-19 - GEER II - Section 23c(4a-b) Teacher and Support Staff Pay 2122	211202	84.425C	23,750	-	-	-	23,750	23,750	-	-
COVID-19 - Supplemental Elementary and Secondary School Emergency Relief (ESSER II) 2021	213712	84.425D	781,639	-	-	-	457,028	781,639	324,611	-
COVID-19 - ESSER II Discretionary - Section 23b(2a) Summer School 2122	213722	84.425D	89,650	-	-	-	89,650	89,650	-	-
COVID-19 - ESSER II Discretionary - Section 23b(2c) Before/After/Before-and-After School 2122	213752	84.425D	25,000	-	-	-	25,000	25,000	-	-
<b>Total Education Stabilization Fund</b>		84.425	1,001,616	81,577	48,727	-	644,155	920,039	324,611	-
<b>Total Federal Awards</b>			\$2,206,795	\$ 603,743	\$ 274,430	\$ -	\$1,405,293	\$1,595,220	\$ 464,357	\$ -

See accompanying notes to schedule of expenditures of federal awards

## HURON ACADEMY

### RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

#### Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements  
(includes all funds):

General Fund	\$ 1,329,307
Special Revenue Fund	<u>265,913</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,595,220</u>

## HURON ACADEMY

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

#### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Huron Academy under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Huron Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Huron Academy.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### **NOTE 3 – INDIRECT COST RATE**

Huron Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

#### **NOTE 4 - NONCASH ASSISTANCE**

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

#### **NOTE 5 - GRANT AUDITOR REPORT**

Management has utilized the Grant Auditor report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

# HURON ACADEMY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

### SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

#### *Financial Statements*

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
  - Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

#### *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

yes  no

Identification of major programs:

Assistance Listing Number(s)  
84.425

Name of Federal Program or Cluster  
Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b):

\$750,000

Auditee qualified as low-risk auditee?

yes  no

### SECTION II – FINANCIAL STATEMENT FINDINGS

None

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None



October 28, 2022

Huron Academy  
11455 Metropolitan Parkway  
Sterling Heights, MI 48312

To Whom It May Concern:

Please be advised that there was not a separate management comment letter that was provided in connection with the audit of the financial statements for the year ended June 30, 2022.

Very truly yours,

A handwritten signature in blue ink that reads "Croskey Lanni, PC".

Croskey Lanni, PC



**APPENDIX D**

**SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS  
PERTAINING TO PUBLIC SCHOOL ACADEMIES**

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## APPENDIX D

### SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO PUBLIC SCHOOL ACADEMIES

#### *Definition of Public School Academy (MCL § 380.501(1), 380.502(1))*

Pursuant to Part 6A of the Revised School Code, Act 451, Public Acts of Michigan, 1976, as amended, MCL §380.501, *et seq.*, a public school academy is a public school under section 2 of article VIII of the State constitution of 1963, is a school district for the purposes of Section 11 of Article IX of the State Constitution of 1963 and for the purposes of MCL §§ 380.1225 and 380.1351a, and is subject to the leadership and general supervision of the State board over all public education under Section 3 of Article VIII of the State Constitution of 1963. A public school academy is a body corporate and a governmental agency. The powers granted to a public school academy under the Revised School Code constitute the performance of essential public purposes and governmental functions of the State. A public school academy must be organized and administered under the direction of a board of directors in accordance with the Revised School Code and with bylaws adopted by the board of directors. A public school academy corporation must be organized under Michigan's Non-Profit Corporation Act, Act 162 of Public Acts of Michigan, 1982, as amended, MCL §§ 450.2101 to 450.3192, except that a public school academy corporation is not required to comply with Sections 170-177 of the Michigan General Corporation Statute, Act 327, Public Acts of Michigan, 1931, MCL §§ 450.170 to 450.177.

#### *Authorizing Bodies of and Applicants for Public School Academies (MCL § 380.502(2))*

Charter contracts to organize and operate one or more public school academies may be issued by any one of the following authorizing bodies: (a) the board of a school district, however the board of a school district may not issue a contract for a public school academy to operate outside the school district's boundaries, and the public school academy authorized by the board of a school district may not operate outside the school district's boundaries; (b) an intermediate school board, however the board of an intermediate school district may not issue a contract for a public school academy to operate outside the intermediate school district's boundaries, and a public school academy authorized by the board of an intermediate school district may not operate outside that intermediate school district's boundaries; (c) the board of a community college, however the board of a community college may not issue a contract for a public school academy to operate in a school district organized as a school district of the first class, a public school academy authorized by the board of a community college may not operate in a school district organized as a school district of the first class, the board of a community college may not issue a contract for a public school academy to operate outside the boundaries of the community college district, and a public school academy authorized by the board of a community college may not operate outside the boundaries of the community college district. The board of a community college also may issue a contract for not more than one public school academy to operate on the grounds of an active or closed federal military installation located outside the boundaries of the community college district, or may operate a public school academy itself on the grounds of such a federal military installation, if the federal military installation is not located within the boundaries of any community college district and the community college has previously offered courses on the grounds of the federal military installation for at least 10 years; (d) the governing board of a State public university; or (e) two or more of the public agencies described in (a) through (d) above exercising power, privilege, or authority jointly pursuant to an inter-local agreement under the Michigan's Urban Cooperation Act of 1967, Act 7 of 1967 (Ex Sess), Public Acts of Michigan 7, MCL §§ 124.501 to 124.512.

#### *Method of Establishment and Oversight of Public School Academies (MCL § 380.502(3-4))*

To obtain a contract to organize and operate one or more public school academies, a person or entity may apply to an authorizing body as described in MCL §§ 380.502(2); the application must include at least all of the following: (a) identification of the applicant; (b) list of the proposed members of the board of directors of the public school academy and a description of the qualifications and method for appointment or election of the board of directors; (c) the proposed articles of incorporation for the public school academy, including (i) the name of the proposed public school academy, (ii) the purposes of the public school academy, (iii) the name of the authorizing body, (iv) the proposed time when the articles of incorporation will be effective, and (v) other matters as necessary; (d) the proposed bylaws of the public school academy; (e) documentation meeting the application requirements of the authorizing body, including (i) the governance structure of the public school academy, (ii) a copy of the educational

goals of the public school academy, which shall include demonstrated improved pupil academic achievement for all groups of pupils, the curricula to be offered, and methods of pupil assessment to be used by the public school academy, (iii) the admission policy and criteria to be maintained, which must comply with MCL §380.504 (iv) the school calendar and school day schedule, and (v) the age or grade range of pupils to be enrolled; (f) descriptions of staff responsibilities and the governance structure; (g) for an application to a school district, an intermediate school board, or board of a community college, identification of the local and intermediate school districts in which the public school academy will be located; (h) an agreement that the public school academy will comply with all applicable State and federal laws; and (i) a description of and address for the proposed physical plant in which the public school academy will be located. An applicant may request the authorizing body to issue a contract to operate the same configuration of age or grade levels at more than one site.

An authorizing body that issues a charter contract for a public school academy shall oversee, or shall contract with an intermediate school district, community college or State public university to oversee, each public school academy. The authorizing body is responsible for overseeing compliance by the board of directors with the contract and all applicable law. This provision does not relieve any other government entity of its enforcement or supervisory responsibility.

***Obligation of State or Authorizing Party (MCL § 380.503b)***

If a public school academy enters into an agreement, mortgage, loan, or other instrument of indebtedness with a third party, such arrangement does not constitute an obligation, either general, special, or moral of the State or the authorizing body. The full faith and credit or the taxing power of the State or any agency of the State, or the full faith and credit of an authorizing body, may not be pledged for the payment of any public school academy bond, not, agreement, mortgage, loan, or other instrument of indebtedness. This provision does not impose any liability on the State or an authorizing body for any debt incurred by a public school academy.

***Requirements if Contracted with Educational Management Organization (MCL§ 380.503c)***

If the board of a public school academy enters into or renews a management agreement with an educational management organization to carry out the operations of the public school academy, it shall require the educational management organization to provide to the board of directors at least annually all of the same information that a school district is required to disclose under section MCL § 388.1618, for the most recent school fiscal year and within 30 days of receiving the information, the board of directors shall make the information publicly available on its school website.

***Public School Academy Pupil Membership Factor (MCL § 388.1620)***

The target foundation allowance for 2023-24 was \$9,608 and for 2024-25 is \$9,983. For pupils in membership, other than special education pupils, in a public school academy, the allocation calculated under this section is an amount per membership pupil other than special education pupils in the public school academy equal to the target foundation allowance specified above, or, for a public school academy that was issued a contract under Section 552 of the Revised School Code, MCL §§ 380.552, to operate as a school of excellence that is a cyber school, \$9,150. Notwithstanding Section 101, for a public school academy that begins operations after the pupil membership count day, the amount per membership pupil calculated under this subsection must be adjusted by multiplying that amount per membership pupil by the number of hours of pupil instruction provided by the public school academy after it begins operations, as determined by the Department, divided by the minimum number of hours of pupil instruction required under Section 101(3). The result of this calculation must not exceed the amount per membership pupil otherwise calculated under this subsection.

***Authorizing Body's Duties as Fiscal Agent With Respect to State Aid Payments (MCL § 380.507(3), § 380.502(6))***

The authorizing body for a public school academy is the fiscal agent for the public school academy. A State aid payment for a public school academy must be paid to the authorizing body that is the fiscal agent for that public school academy, and the authorizing body shall then forward the payment to the public school academy. Within 30 days after a contract is submitted to the Michigan Department of Education (the "Department") by an authorizing body under this provision, the Department shall issue a district code to the public school academy for which the

contract was issued. If the Department does not issue a district code within 30 days after a contract is filed, the State treasurer shall assign a temporary district code in order for the public school academy to receive funding under the State School Aid Act of 1979.

An authorizing body shall not charge a fee, or require reimbursement of expenses, for considering an application of a contract, for issuing a contract or for providing oversight of a contract for a public school academy in an amount that exceeds a combined total of 3% of the total State aid received by the public school academy in the school year in which the fees or expenses are charged. An authorizing body may provide other services for a public school academy and charge a fee for those services, but shall not require such an arrangement as a condition to issuing the charter contract authorizing the public school academy.

***Withholding Payment; Plan for Financing Outstanding Obligation Defaulted Upon by a Public School Academy (MCL § 388.1617a(1), a(3)), a(5), and a(6)).***

The Department may withhold all or part of any payment that a district, including a public school academy, or intermediate district is entitled to receive to the extent the withholdings are a component part of a plan, developed and implemented pursuant to the Revised Municipal Finance Act, Act 34, Public Acts of Michigan, 2001, as amended, MCL §§ 141.2101 to 141.2821, the Emergency Municipal Loan Act, Act 243, Public Acts of Michigan, 1980, MCL §§ 141.931 to 141.942, the Local Financial Stability and Choice Act, Act 436, Public Acts of Michigan, 2012, MCL §§ 141.1541 to 141.1575, Section 1356 of the Revised School Code, MCL §§ 380.1356, or other statutory authority, for financing an outstanding obligation upon which the district or intermediate district defaulted or for other financial obligations of the district or intermediate district. Amounts withheld shall be used to pay, on behalf of the district or intermediate district, unpaid amounts or subsequently due amounts, or both, of principal and interest on the outstanding obligation upon which the district or the intermediate district defaulted.

Under an agreement entered into by a district or intermediate district assigning all or a portion of the payment that it is eligible to receive under this article to the Michigan Finance Authority (the "Authority") or to the trustee of a pooled arrangement or pledging the amount for payment of an obligation it incurred with the authority or with the trustee of a pooled arrangement, the State treasurer shall transmit to the Authority or a trustee designated by the Authority or to the Trustee of a pooled arrangement or other designated depository the amount of the payment that is assigned or pledged under the agreement. Notwithstanding the payment dates prescribed by the State School Aid Act for distributions under the State School Aid Act, the State treasurer may advance all or part of a payment that is dedicated for distribution or for which the appropriation authorizing the payment has been made if and to the extent, under the terms of an agreement entered into by a district or intermediate district and the Authority, the payment that the district or intermediate district is eligible to receive has been assigned to or pledged for payment of an obligation it incurred with the Authority. The above does not require the State to make an appropriation to any school district or intermediate school district and shall not be construed as creating an indebtedness of the State, and any agreement made pursuant to the above shall contain a statement to that effect.

***Deficit Budget or Operating Deficit (MCL § 380.1219, 380.1220(1))***

A public school academy shall not adopt or operate under a deficit budget, or incur an operating deficit in a fund during a school fiscal year. If a public school academy has an existing deficit fund balance, incurs a deficit fund balance in the most recently completed school fiscal year, or adopts a current year budget that projects a deficit fund balance, all of the following apply: (a) the public school academy shall notify the superintendent of public instruction and the State treasurer immediately upon the occurrence of the circumstance and shall provide a copy of said notice to the authorizing body of the public school academy, (b) within 30 days after notifying the superintendent of public instruction and the State treasurer, the public school academy shall submit to the superintendent of public instruction in the form and manner prescribed by the Department an amended budget for the current school fiscal year and a deficit elimination plan approved by the board of directors of the public school academy, with a copy to the State treasurer and to its authorizing body, (c) the Department may withhold and release some or all of the money payable to the public school academy as provided under Section 102(1) of the State School Aid Act of 1979, MCL §§ 388.1702, (d) the superintendent of public instruction may require a deficit elimination plan to include an academic plan for the public school academy, and (e) after the superintendent of public instruction approves a public school academy's deficit elimination plan, the public school academy shall post the deficit elimination plan on the public school academy's website.

Each school district and public school academy shall transmit to CEPI the budgetary assumptions used when adopting its annual budget pursuant to the Uniform Budgeting and Accounting Act, Act 2 of 1968, MCL §§141.421 to 141.440a. However, a school district or public school academy that had a positive general fund balance of at least 5% of total general fund revenues for each of the two (2) most recently completed school fiscal years is not required to transmit the budgetary assumptions under this subsection.

***Application of Money Received Under State School Aid Act (MCL § 388.1618(1) and (9), 388.1618a)***

Each public school academy shall apply the money it received under the State School Aid Act to salaries and other compensation of teachers and other employees, tuition, transportation, lighting, heating, ventilation, water service, the purchase of textbooks, other supplies, and any other school operating expenditures. However, not more than 20% of the total amount received by a district under Sections 22a and 22b or received by an intermediate district under Section 81 may be transferred by the board to either the capital projects fund or to the debt retirement fund for debt service. A public school academy shall not apply or take the money for a purpose other than as provided in this Section. The Department shall determine the reasonableness of expenditures and may withhold from a recipient of funds under the State School Aid Act the apportionment otherwise due upon a violation by the recipient. A public school academy must not be prohibited or limited from using funds appropriated or allocated under this article that are permitted for use for noninstructional services to contract or subcontract with an intermediate district, third party, or vendor for the noninstructional services.

Under this section, if a district that is a public school academy purchases property using money received pursuant to this article, the public school academy shall retain ownership of the property unless the public school academy sells the property at fair market value.

Grant funds awarded and allotted to a district, intermediate district, or other entity, unless otherwise specified in this article, must be expended by the grant recipient before the end of the fiscal year immediately following the fiscal year in which the funds are received. Except as otherwise provided in this article, if a grant recipient does not expend the funds received under this article before the end of the fiscal year in which the funds are received, the grant recipient shall submit a report to the Department not later than November 1 after the fiscal year in which the funds are received indicating whether it expects to expend those funds during the fiscal year in which the report is submitted. Except as otherwise provided in this article, a recipient of a grant shall return any unexpended grant funds to the Department in the manner prescribed by the Department not later than September 30 after the fiscal year in which the funds are received.

***Property of Public School Academy to be Transferred to State (MCL § 388.1618b)***

Property of a public school academy that was acquired substantially with funds appropriated under the State School Aid Act shall be transferred to the State by the public school academy corporation if any of the following occur: (a) the public school academy has been ineligible to receive funding under this article for 18 consecutive months; (b) the public school academy's contract has been revoked or terminated for any reason; and (c) the public school academy's contract has expired and has not been reissued by the authorizing body.

A public school academy corporation shall initiate the process of transferring property to the State as required above within 30 days after the occurrence of the event that triggers the process under the above. Property required to be transferred to the State under this section includes title to all real and personal property, interests in real or personal property, and other assets owned by the public school academy corporation that were substantially acquired with funds appropriated under this article. The State treasurer, or his or her designee, is authorized to dispose of property transferred to the State in the fashion described above. Except as otherwise provided above, the State treasurer shall deposit in the State School Aid Fund any money included in that property and the net proceeds from the sale of the property or interests in property, after payment by the State treasurer of any public school academy debt secured by the property or interest in property.

This section does not impose any liability on the State, any agency of the State, or an authorizing body for any debt incurred by a public school academy.

***Revocation of Charter or Reconstitution of Academy (MCL § 380.507 (4) through (10))***

A contract may be revoked by the authorizing body if the authorizing body determines that one or more of the following have occurred: (a) failure of the public school academy to demonstrate improved pupil academic achievement for all groups of pupils or meet the educational goals set forth in the contract; (b) failure of the public school academy to comply with all applicable law; (c) failure of the public school academy to meet generally accepted public sector accounting principles and demonstrate sound fiscal stewardship; and (d) the existence of one or more other grounds for revocation as specified in the contract.

Except for a public school academy that is an alternative school serving a special student population, if the Department determines that a public school academy site that has been operating for at least 4 years is among the lowest achieving 5% of public schools in the State for the immediately preceding 3 school years, as determined federal accountability requirements as provided under the Every Student Succeeds Act, Public Law 114-95, not to include any individualized education plan subgroup, the Department shall notify the public school academy's authorizing body. Except as provided below, if an authorizing body receives notice from the Department, the authorizing body shall notify the public school academy and amend the public school academy's contract to eliminate the public school academy's authority to operate the existing age and grade levels at the site and the public school academy shall cease operating the existing age and grade levels at the site, effective at the end of the current school year. Except as provided below, if the public school academy operates at only one (1) site, and the authorizing body receives notice from the Department under this subsection, the authorizing body shall notify the public school academy and revoke the public school academy's contract, effective at the end of the current school year.

For a public school academy or site that is subject to a notice to its authorizing body set forth above, the Department shall consider other public school options available to pupils in the grade levels offered by the public school academy or site who reside in the geographic area served by the public school academy or site. If the Department determines that closure of the public school academy or site would result in an unreasonable hardship to these pupils because there are insufficient other public school options reasonably available for these pupils, the Department may rescind the notice. If the Department rescinds a notice subjecting a public school academy or site to closure, the Department shall do so before the end of the school year. If the Department rescinds a notice subjecting a public school academy or site to closure, the Department shall require the public school academy or site to implement a school improvement plan that includes measures to increase pupil growth and improve pupil proficiency, with growth and proficiency measured by performance on state assessments.

The decision of an authorizing body to issue, not issue, or reconstitute a contract, or to terminate or revoke a contract, is solely within the discretion of the authorizing body, is final, and is not subject to review by a court or any State agency. An authorizing body that issues, does not issue, or reconstitutes a contract, or that terminates or revokes a contract, is not liable for that action to the public school academy, the public school academy corporation, a pupil of the public school academy, the parent or guardian of a pupil of the public school academy, or any other person.

Before an authorizing body revokes a contract, the authorizing body may consider and take corrective measures to avoid revocation. An authorizing body may reconstitute the public school academy in a final attempt to improve student educational performance or to avoid interruption of the educational process. An authorizing body shall include a reconstituting provision in the contract that identifies these corrective measures, including, but not limited to, canceling a contract with an educational management organization, if any, withdrawing approval of a contract, or appointing a new board of directors or a trustee to take over operation of the public school academy.

If an authorizing body revokes a contract, the authorizing body shall work with a school district or another public school, or with a combination of these entities, to ensure a smooth transition for the affected pupils. If the revocation occurs during the school year, the authorizing body, as the fiscal agent for the public school academy, shall return any school aid funds held by the authorizing body that are attributable to the affected pupils to the State treasurer for deposit into the State school aid fund. The State treasurer shall distribute funds to the public school in which the pupils enroll after the revocation pursuant to a methodology established by the Department and the Center for Educational Performance and information created under Section 94a of the State School Aid Act of 1979, MCL §§ 388.1694a.

Not more than ten (10) days after a public school academy's contract terminates or is revoked, the authorizing body shall notify the superintendent of public instruction in writing of the name of the public school academy whose contract has terminated or been revoked and the date of contract termination or revocation.

***Issuance of Contracts (MCL § 380.503)***

An authorizing body is not required to issue a contract to any person or entity. Subject to the below, a public school academy contract must be issued on a competitive basis. In deciding whether to issue a contract for a proposed public school academy, an authorizing body shall consider all of the following: (a) the resources available for the proposed public school academy, (b) the population to be served by the proposed public school academy, (c) the educational goals to be achieved by the proposed public school academy, (d) the applicant's track record, if any, in organizing public school academies or other public schools, (e) the graduation rate of a school district in which the proposed public school academy is proposed to be located, (f) the population of the county in which the proposed public school academy is proposed to be located, (g) the number of schools in the proximity of a proposed location of the proposed public school academy that are on the list under federal accountability requirements as provided under the Every Student Succeeds Act, Public Law 114-95, of the public schools in the State determined to be among the lowest achieving 5% of public schools in the State, and (h) the number of pupils on waiting lists of public school academies in the proximity of the proposed location of the proposed public school academy.

An authorizing body may give priority to a proposed public school academy that is intended to replace a public school academy that has been closed pursuant to Section 507(5), that will operate all of the same grade levels as the public school academy that has been closed, and that will work toward operating all of grades 9 to 12 within six (6) years after it begins operations unless a matriculation agreement has been entered into with another public school that provides grades 9 to 12.

If a person or entity applies to the board of a school district for a contract to organize and operate one or more public school academies within the boundaries of the school district and the board does not issue the contract, the person or entity may petition the board to place the question of issuing the contract on the ballot to be decided by the school electors of the school district. The petition must contain all of the information required to be in the contract application under Section 502 and must be signed by a number of school electors of the school district equal to at least 5% of the total number of school electors of that school district. The petition must be filed with the school district filing official. If the board receives a petition meeting the requirements of this subsection, the board shall have the question of issuing the contract placed on the ballot at its next regular school election held at least 60 days after receiving the petition. If a majority of the school electors of the school district voting on the question vote to issue the contract, the board shall issue the contract.

Within ten (10) days of issuing a charter contract for a public school academy, the authorizing body must submit to the superintendent of public instruction a copy of the contract. An authorizing body must also adopt a resolution establishing the method of selection, length of term and number of members of the board of directors of each public school academy subject to its jurisdiction.

A contract issued to organize and administer a public school academy must contain at least all of the following: (a) the educational goals of the public school academy is to achieve and methods by which it will be held accountable. The educational goals shall include demonstrated improved pupil academic achievement for all groups of pupils. To the extent applicable, the pupil performance of a public school academy must be assessed using the Michigan Student Test of Educational Progress ("M-STEP") or the Michigan Merit Examination under Section 1279g, as applicable; (b) a description of the method to be used to monitor the public school academy's compliance with applicable law and its performance in meeting its targeted educational objectives; (c) a description of the process for amending the contract during the term of the contract; (d) all the matters set forth in the application for the contract; (e) procedures for revoking the contract and grounds for revoking the contract, including at least the grounds listed in Section 507; (f) a description of and address for the proposed physical plant in which the public school academy will be located. An authorizing body may include a provision in the contract allowing the board of directors of the public school academy to operate the same configuration of age or grade levels at more than one site if each configuration of age or grade levels and each site identified in the contract are under the direction and control of the board of directors.; (g) requirements and procedures for financial audits. The financial audits shall be conducted at least annually by a certified public accountant in accordance with generally accepted governmental auditing principles; (h) the term of the contract and a description of the process and standards for renewal of the contract at the end of the term. The



standards for renewal must include increases in academic achievement for all groups of pupils as measured by assessments and other objective criteria as the most important factor in the decision of whether or not to renew the contract.; (i) a certification, signed by an authorized member of the board of directions of the public school academy, that the public school academy will comply with the contract and all applicable law; (j) a requirement that the board of directors of the public school academy shall ensure compliance with the requirements of the Contracts of Public Servants with Public Entities Act, Act 317, Public Acts of Michigan, 1968, as amended, MCL §§ 15.321 to 15.330; (k) a requirement that the board of directors of the public school academy shall prohibit specifically identified family relationships between members of the board of directors, individuals who have an ownership interest in or who are officers or employees of an educational management organization involved in the operation of the public school academy, and employees of the public school academy. The contract must identify the specific prohibited relationships consistent with applicable law; (l) a requirement that the board of directors of a public school academy shall make information concerning its operation and management available to the public and to the authorizing body in the same manner as is required by State law for school districts; (m) a requirement that the board of directors of a public school academy shall collect, maintain, and make available to the public and authorizing body, in accordance with applicable law and the contract, at least all of the following information concerning the operation and management of the public school academy: (i) a copy of the contract issued by the authorizing body for the public school academy; (ii) a list of currently serving members of the board of directors of the public school academy, including name, address and term of office, copies of policies approved by the board of directors, board meeting agendas and minutes, copy of the budget approved by the board of directors and of any amendments to the budget, and copies of bills paid for amounts of \$10,000 or more as they were submitted to the board of directors; (iii) quarterly financial reports submitted to the authorizing body; (iv) a current list of teachers and school administrators working at the public school academy that includes their individual salaries as submitted to the registry of educational personnel, copies of teaching or school administrator's certificates or permits of current teaching and administrative staff, and evidence of compliance with the criminal background and records check and unprofessional conduct check required under State law for all teachers and administrators working at the public school academy; (v) curriculum documents and materials given to the authorizing body; (vi) proof of insurance as required by the contract; (vii) copies of facility leases or deeds, or both, and of any equipment leases; (viii) copies of any management contracts or service contracts approved by the board of directors; (ix) all health and safety reports and certificates, including those relating to fire safety, environmental matters, asbestos inspection, boiler inspection, and food service.; (x) any management letters issued as part of the annual financial audit; and (xi) any other information specifically required by the Revised School Code; (n) a requirement that the authorizing body must review and may disapprove any agreement between the board of directors of a public school academy and an educational management organization before the agreement is final and valid. An authorizing body may disapprove an agreement described in this subdivision only if the agreement is contrary to the contract or applicable law; (o) a requirement that the board of directors of the public school academy shall demonstrate all of the following to the satisfaction of the authorizing body with regard to its pupil admission process: (i) that the public school academy has made a reasonable effort to advertise its enrollment openings; (ii) that the open enrollment period for the public school academy is for a duration of at least two (2) weeks and that the enrollment times include some evening and weekend times; and (p) a requirement that the board of directors of the public school academy shall prohibit any individual from being employed by the public school academy in more than one (1) full-time position and simultaneously being compensated at a full-time rate for each of those positions.

Among the laws with which public school academies must comply are the Revised School Code, the State School Aid Act, the Open Meetings Act, the Freedom of Information Act, the Public Employment Relations Act, the Uniform Budgeting and Accounting Act, the Revised Municipal Finance Act and other State and federal laws applicable to public school academies.

A public school academy and its incorporators, board members, officers, employees and volunteers have governmental immunity as provided in Michigan Public Act 170 of 1964 Section 7 MCL §§ 691.1407. An authorizing body and its board members, officers, and employees are immune from civil liability, both personally and professional, for an act or omission in authorizing a public school academy if the authorizing body or the person acted or reasonably believed he or she acted within the authorizing body's or the person's scope of authority.

A public school academy is exempt from all taxation on its earnings and property. Instruments of conveyance to or from a public school academy are exempt from all taxation including taxes imposed by the Michigan Public Act 1334 of 1966, MCL §§ 207.501 to 207.513. Unless the property is already fully exempt from real and personal property taxes under the General Property Tax Act 206 of 1893, MCL §§ 211.1 to 211.155, property occupied by a public

school academy and used exclusively for educational purposes is exempt from real and personal property taxes levied for school operating purposes under Section 1211, to the extent exempted under that section, and from real and personal property taxes levied under the State Education Tax Act 331 of 1993, MCL §§ 211.901 to 211.906. A public school academy may not levy ad valorem property taxes or another tax for any purpose. However, operation of one or more public school academies by a school district or intermediate school district does not affect the ability of the school district or intermediate school district to levy ad valorem property taxes or another tax. A public school academy may acquire by purchase, gift, devise, lease, sublease, installment purchase agreement, land contract, option, or by any other means, hold, and own in its own name buildings and other property for school purposes, and interests therein, and other real and personal property, including, but not limited to, interests in property subject to mortgages, security interests, or other liens, necessary or convenient to fulfill its purposes. For the purposes of condemnation, a public school academy may proceed under the Uniform Condemnation Procedures Act, Act 87, Public Acts of Michigan, 1980, as amended, MCL §§213.51 to 213.75, excluding Sections 6 to 9 of that act, MCL §§213.56 to 213.59, or other applicable statutes, but only with the express, written permission of the authorizing body in each instance of condemnation and only after just compensation has been determined and paid.

A member of the board of directors of a public school academy is a public officer and shall, before entering upon the duties of the office, take the constitutional oath of office for public officers under Section 1 of Article XI of the State Constitution of 1963.

***Location of a Public School Academy: Operation at Other Than a Single Site (MCL § 380.504(1))***

A public school academy may be located in all or part of an existing public school building. A public school academy shall not operate at a site other than the site or sites requested for the configuration of age or grade levels that will use the site or sites, as specified in the contract. Under a contract, an authorizing body may permit a public school academy to operate the same configuration of age or grade levels at more than one (1) site, and a public school academy may operate the same configuration of age or grade levels at more than one (1) site, as long as the public school academy is operating in compliance with its contract and is making measurable progress toward meeting its educational goals. For a charter contract for a new public school academy, an authorizing body may permit a public school academy to operate the same configuration of age or grade levels at more than one (1) site, and a public school academy may operate the same configuration of age or grade levels at more than 1 site, if the applicant for the proposed public school academy presents documentation to the authorizing body demonstrating that the applicant's proposed educational model has resulted in schools making measurable progress toward meeting their education goals.

***Public School Academy District Code Assignment (MCL § 388.1608b(1) and (2))***

The department shall work with the center for educational design and information to assign a district code to each public school academy that is authorized under the Revised School Code and is eligible to receive funding under this article within 30 days after a contract is submitted to the Department by the authorizing body of a public school academy. If the Department or the center does not assign a district code to a public school academy within the 30-day period described above, the district code to be used by the Department to make payments under this article to the newly authorized public school academy is a number that is equivalent to the sum of the last district code assigned to a public school academy located in the same county as the newly authorized public school academy plus one (1). However, if there is not an existing public school academy located in the same county as the newly authorized public school academy, then the district code to be used by the department to make payments under this article to the newly authorized public school academy is a 5-digit number that has the county code in which the public school academy is located as its first 2 digits, 9 as its third digit, 0 as its fourth digit, and 1 as its fifth digit. If the number of public school academies in a county grows to exceed 100, the third digit in this 5-digit number is 7 for the public school academies in excess of 100. If the number of public school academies in a county grows to exceed 200, then the third digit in this 5-digit number is 5 for the public school academies in excess of 200.

***Tuition and Admission at Public School Academies (MCL § 380.504(2) and (5))***

A public school academy may not charge tuition and may not discriminate in its pupil admissions policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude, status as a student with a disability, or any other basis that would be illegal if used by a school district. However, a public school academy may limit admission to pupils who are within a particular range of age or grade level or on any other basis that would be

legal if used by a school district and may give enrollment priority to one or more of the following: (a) a sibling of a pupil enrolled in the public school academy, (b) a pupil who transfers to the public school academy from another public school pursuant to a matriculation agreement between the public school academy and other public school that provides for this enrollment priority, and (c) a child of a person who is employed by or at the public school academy or who is on the board of directors of the public school academy. A public school academy may included any grade up to grade 12 or any configuration of those grades, including kindergarten and early childhood education, as specified in its contract. If specified in its contract, a public school academy may also operate an adult basic education program, adult high school completion program, or general education development testing preparation program.

***Presumption of Public School Academy Advertising (MCL § 388.1769)***

In order for a public school academy to receive state aid under the State School Aid Act of 1979, the public school academy shall demonstrate to the satisfaction of the Department that the public school academy has made a good faith effort to advertise, throughout the entire area of the intermediate district in which the public school academy is located, that the [public school] academy is enrolling students and the procedures for applying for enrollment. The Department shall not make any payments to a public school academy until the public school academy supplies evidence satisfactory to the Department demonstrating compliance with the above. If a public school academy is a successor to a nonpublic school and more than 75% of the pupils enrolled in the public school academy during its first school year of operation were previously enrolled in that nonpublic school, there is a rebuttable presumption that the public school academy did not make the good faith effort required under this section.

***Additional Powers of Public School Academies (MCL § 380.504a, 380.506)***

In addition to other powers, a public school academy may take action to carry out the purposes for which it was incorporated under this provision, including, but not limited to, all of the following: (i) to sue and be sued in its name, (ii) to acquire, hold, and own in its own name real and personal property, or interest in real or personal property, for educational purposes by purchase, gift, grant, devise, bequest, lease, sublease, installment purchase agreement, land contract, option, or condemnation, and subject to mortgages, security interests, or other liens; and sell or convey the property as the interests of the public school academy require, (iii) to receive, disburse, and pledge funds for lawful purposes, (iv) to enter into binding legal agreements with persons or entities as necessary for the operation, management, financing, and maintenance of the public school academy, (v) to incur temporary debt as authorized by State statutes, (vi) to solicit and accept grants or gifts for educational purposes and to establish or permit to be established on its behalf one or more non-profit corporations for the purpose of which is to assist the public school academy in furtherance of its public purposes, and (vii) to borrow money and issue bonds in accordance with relevant State statutes.

A public school academy, with the approval of the authorizing body, may employ or contract with personnel as necessary for the operation of the public school academy, prescribe their duties, and fix their compensation.

***Certified Teachers and Noncertified Individuals (MCL § 380.505)***

Except as otherwise provided by State law, a public school academy shall use certificated teachers according to State board rule. A public school academy authorized by a State public university or community college may use noncertificated individuals to teach as follows: (a) if the public school academy is authorized by a State university, the public school academy may use as a classroom teacher in any grade a faculty member who is employed full-time by the State public university and who has been granted institutional tenure, or has been designated as being on tenure track, by the State public university, (b) for a public school academy authorized by a community college, the public school academy may use as a classroom teacher a full-time member of the community college faculty who has at least five years' experience at that community college in teaching the subject matter that he or she is teaching at the public school academy, and (c) in any other situation in which a school district is permitted to use noncertificated teachers. A public school academy may develop and implement new teaching techniques or methods or significant revisions to known teaching techniques or methods, and shall report those to the authorizing body and State board to be made available to the public. A public school academy may use any instructional technique or delivery method that may be used by a school district.

THE CHARTER SCHOOL LAWS AND SCHOOL AID ACT ARE SUBJECT TO MODIFICATION BY THE MICHIGAN LEGISLATURE. THE AMOUNT, TIMING AND METHODOLOGY FOR CALCULATION OF STATE AID PAYMENTS HAS CHANGED SIGNIFICANTLY IN RECENT YEARS, AND IS SUBJECT TO FUTURE LEGISLATIVE CHANGES.

**APPENDIX E**

**FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT**

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**TRUST INDENTURE  
BETWEEN**

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**MICHIGAN FINANCE AUTHORITY  
AND  
U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION  
as Trustee**

**RELATING TO:**

§  
**MICHIGAN FINANCE AUTHORITY  
Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds  
(Huron Academy Project), Series 2024**

**Dated as of October 1, 2024**

**TABLE OF CONTENTS**

	Page
ARTICLE I DEFINITIONS .....	2
Section 1.01. Definitions .....	2
ARTICLE II THE BONDS.....	13
Section 2.01. Authorized Amount of Bonds.....	13
Section 2.02. Issuance of Bonds; Authority Contribution to Reserve Fund.....	13
Section 2.03. Execution; Limited Obligation .....	15
Section 2.04. Certificate of Authentication .....	15
Section 2.05. Form of Bonds .....	15
Section 2.06. Delivery of Series 2024 Bonds .....	16
Section 2.07. Mutilated, Lost, Stolen or Destroyed Bonds.....	17
Section 2.08. Exchangeability and Transfer of Bonds; Persons Treated as Owners .....	17
Section 2.09. Cancellation .....	19
Section 2.10. Ratably Secured.....	19
Section 2.11. Redemption of Bonds .....	19
Section 2.12. Partial Redemption of Bonds.....	20
Section 2.13. Notice of Redemption.....	21
Section 2.14. Book-Entry-Only Registration of the Bonds .....	22
Section 2.15. CUSIP Numbers .....	24
Section 2.16. Additional Bonds.....	24
ARTICLE III SECURITY; COVENANTS AND AGREEMENTS OF AUTHORITY.....	26
Section 3.01. Security .....	26
Section 3.02. Payment of Bonds and Performance of Covenants .....	27
Section 3.03. Authority.....	27
Section 3.04. No Litigation.....	28
Section 3.05. Further Assurances .....	28
Section 3.06. No Other Encumbrances .....	28
Section 3.07. No Recourse.....	28
Section 3.08. No Personal Liability.....	29
ARTICLE IV FUNDS .....	29
Section 4.01. Establishment and Use of Bond Fund.....	29
Section 4.02. Establishment, Use and Maintenance of Reserve Fund.....	30
Section 4.03. Establishment and Use of Project Fund.....	32
Section 4.04. Establishment, Payments into and Custody of the Repair and Replacement Fund; Disbursements from Repair and Replacement Fund .....	32
Section 4.05. Deposit of Bond Proceeds.....	33

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

Section 4.06. Account Statements .....	33
Section 4.07. Investment of Fund Moneys .....	33
Section 4.08. Arbitrage .....	34
Section 4.09. Repayment to the Academy from the Funds .....	34
Section 4.10. Repayment to the Authority from the Reserve Fund.....	35
ARTICLE V DISCHARGE OF LIEN.....	35
Section 5.01. Discharge of Lien and Security Interest .....	35
Section 5.02. Provision for Payment of Bonds.....	35
Section 5.03. Discharge of this Indenture.....	36
Section 5.04. Unclaimed Moneys .....	36
ARTICLE VI DEFAULT PROVISIONS AND REMEDIES .....	37
Section 6.01. Events of Default .....	37
Section 6.02. Acceleration .....	37
Section 6.03. Other Remedies; Rights of Bondholders .....	38
Section 6.04. Right of Bondholders to Direct Proceedings .....	39
Section 6.05. Discontinuance of Default Proceedings.....	41
Section 6.06. Waiver.....	41
Section 6.07. Application of Moneys .....	41
ARTICLE VII THE TRUSTEE.....	43
Section 7.01. Appointment .....	43
Section 7.02. Fees, Expenses .....	46
Section 7.03. Intervention in Litigation.....	46
Section 7.04. Resignation; Appointment of Successor Trustee; Successor Trustee Upon Merger, Consolidation or Sale .....	47
Section 7.05. Removal of Trustee.....	48
Section 7.06. Instruments of Bondholders.....	48
Section 7.07. Appointment of Separate or Co-Trustee.....	48
ARTICLE VIII AMENDMENTS, SUPPLEMENTAL INDENTURES .....	49
Section 8.01. Supplemental Indentures.....	49
Section 8.02. Amendments to Indenture; Consent of Bondholders and the Academy.....	50
Section 8.03. Amendments to Financing Agreement Not Requiring Consent of Bondholders .....	51
Section 8.04. Amendments to Financing Agreement Requiring Consent of Bondholders .....	51
Section 8.05. Notice to and Consent of Bondholders .....	51
ARTICLE IX MISCELLANEOUS .....	52

Section 9.01. Limitation of Rights.....	52
Section 9.02. Severability .....	52
Section 9.03. Notices .....	52
Section 9.04. Additional Notices to Rating Agencies .....	53
Section 9.05. Payments Due on Non-Business Days.....	53
Section 9.06. Interest Computation.....	53
Section 9.07. Binding Effect.....	53
Section 9.08. Captions .....	54
Section 9.09. Governing Law .....	54
Section 9.10. Execution in Counterparts .....	54
EXHIBIT A: Form of Series 2024 Bond .....	A-1
EXHIBIT B: Description of Series 2024 Bonds.....	B-1



**TRUST INDENTURE**

THIS TRUST INDENTURE (“Indenture”), dated as of October 1, 2024, between the MICHIGAN FINANCE AUTHORITY, a public body corporate and politic (the “Authority”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, as trustee, and its successor in trust and its assignees (the “Trustee”).

WHEREAS, the Authority has been created pursuant to the Enabling Legislation for, among other purposes, the purpose of lending money to Michigan public school academies; and

WHEREAS, the Authority is authorized to carry out the public purposes described in and contemplated by the Enabling Legislation by purchasing municipal obligations from Michigan public school academies and obtaining funds to make loans by issuing revenue bonds; and

WHEREAS, the Authority has determined that to purchase the Municipal Obligation (as defined herein) of Huron Academy, a Michigan public school academy (the “Academy”) will further the purposes of the Enabling Legislation, will benefit the people of the State, will assist the Academy in fulfilling its needs, will provide for the orderly marketing or placement of the Municipal Obligation and will reduce the costs of borrowing to the Academy; and

WHEREAS, the Revised School Code, Act 451, Public Acts of Michigan, 1976, as amended (the “Revised School Code”) authorizes public school academies to borrow money and issue bonds to defray all or a part of the cost of purchasing, erecting, completing, remodeling, or equipping, or reequipping, except for equipping or reequipping for technology, school buildings, including library buildings, structures, athletic fields, playgrounds, or other facilities, or parts of or additions to those facilities; furnishing or refurbishing new or remodeled school buildings; acquiring, preparing, developing, or improving sites, or parts of or additions to sites, for school buildings, including library buildings, structures, athletic fields, playgrounds, or other facilities; purchasing school buses; acquiring, installing, or equipping or reequipping school buildings for technology or accomplishing a combination of these purposes; and

WHEREAS, the Revised School Code also authorizes public school academies to issue refunding bonds; and

WHEREAS, the Academy issued its Public School Academy Revenue and Refunding Bonds, Series 2015, in the original principal amount of \$8,500,000 dated July 31, 2015 (the “Prior Obligation”), the proceeds of which were used to finance the costs of: (1) the renovation of the Academy’s school facility located in Sterling Heights, Michigan; and (2) the acquisition of vacant land and the construction and equipping of the Academy’s school facility located in Clinton Township, Michigan (the “Facilities”) located at 36301 Utica Road, Clinton Township, Michigan (the “Property”); and

WHEREAS, the Academy has requested the Authority to issue the Bonds for the purpose of: (i) refunding the Prior Obligation (the “Refunding”); (ii) financing all or a portion of the costs of the construction, improvement, equipping and furnishing of an addition to the Facilities (the “Project”); (iii) funding a debt service reserve fund; and (iv) and paying capitalized interest, if any;

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

and (v) paying certain expenses incidental to the issuance of the Bonds and the Municipal Obligation; and

WHEREAS, the Authority wishes to provide for the issuance of the Bonds for the purpose of providing funds to assist in implementing the Refunding, financing the Project including expenses incidental to the issuance of the Bonds and the Municipal Obligation, funding a debt service reserve fund and paying capitalized interest; and

WHEREAS, the Authority has determined and declares that payment of the amounts required to accomplish the Refunding and finance the Project as contemplated by a Financing Agreement, dated as of October 1, 2024, between the Authority and the Academy (the “Financing Agreement”) and this Indenture, is necessary in order to realize the objectives and purposes of the Enabling Legislation and fulfills a valid public purpose; and

WHEREAS, as security for the payment of the Bonds issued pursuant to this Indenture, the Authority has agreed to assign and pledge to the Trustee, the Security (as hereinafter defined); and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued and delivered as provided in this Indenture, the legal, valid, binding and enforceable limited obligations of the Authority, according to the import thereof, and to create a valid assignment and pledge of the Security to the payment of the Bonds have been done and performed, and the execution and delivery of this Indenture and the execution, issuance and delivery of the Bonds, subject to the terms hereof, have in all respects been authorized.

**NOW, THEREFORE**, in consideration of the premises and of the covenants and undertakings herein expressed, the parties hereto agree as follows:

**ARTICLE I**

**DEFINITIONS**

**Section 1.01. Definitions.** All terms used herein which are not defined herein but are defined in the Financing Agreement identified below shall have the meanings therein set forth, which definitions are by this reference incorporated herein and made a part hereof. In addition to terms elsewhere defined in this Indenture, the following words and terms as used in this Indenture and the preambles hereto shall have the following meanings unless the context or use clearly indicates another or different meaning or intent and such definitions shall be equally applicable to both the singular and plural forms of the terms and words herein defined:

“Academy” means Huron Academy, a Michigan public school academy, organized and existing under the laws of the State of Michigan, and its successors and assigns.

“Academy Funded Reserve Account” means the account by that name established within the Reserve Fund pursuant to Section 4.02 hereof.

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

“Academy Repayments” means all amounts required to be paid by the Academy to the Authority (and the Trustee as the assignee of the Authority) pursuant to the Financing Agreement and the Municipal Obligation.

“Additional Bonds” means the additional bonds which are authorized to be issued in one or more series from time to time under Section 2.16 hereof.

“Appropriated Funds” means appropriated, accepted, and obligated funds received by the Authority under Section 16 of Act 227, Public Acts of Michigan, 1985, as amended, which the Authority has previously determined may be used to provide credit enhancement support for certain bonds authorized by the Authority.

“Authority” means the Michigan Finance Authority, created pursuant to the Enabling Legislation, or any successor to its rights and obligations under the Financing Agreement and this Indenture.

“Authority Contribution” means the amount of \$ \_\_\_\_\_ of Appropriated Funds and \$ \_\_\_\_\_ of Grant Funds to be deposited in the Authority Funded Reserve Account of the Reserve Fund in accordance with Section 2.02 hereof.

“Authority Funded Reserve Account” means the account by that name established within the Reserve Fund pursuant to Section 4.02 of this Indenture funded by Appropriated Funds and Grant Funds of the Authority authorized to be used for such purposes by an Authorized Officer of the Authority.

“Authorized Academy Representative” means the Board President of the Academy or any other officer of the Academy authorized to act in such capacity by a resolution adopted by the Board of Directors of the Academy.

“Authorized Denominations” means denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.

“Authorized Officer” shall mean those previously designated authorized officers of the Authority in Authority Resolution No. 2013-36 or other resolutions of the Authority.

“Beneficial Owner” means, when the Bonds are held in a book-entry only system, the owner of a Bond or portion thereof for federal income tax purposes.

“Bond” or “Bonds” means the Series 2024 Bonds and any Additional Bonds authorized to be issued hereunder.

“Bond Counsel” means a firm of nationally recognized attorneys at law acceptable to the Authority and experienced in legal work relating to the issuance of bonds the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Code.

“Bond Fund” means the fund created by Section 4.01. of this Indenture.

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

“Bond Payment Date” means any of the dates specified in this Indenture for payment of principal of and interest on the Bonds, i.e., the first day of April and October of each year with respect to interest, commencing April 1, 2025, and the first day of October with respect to principal, commencing October 1, 2025, all in the years shown in Exhibit B until the respective Bonds are paid in accordance with their terms.

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated [Sale Date], 2024, relating to the initial purchase of the Series 2024 Bonds among the Underwriter, the Authority and the Academy.

“Bond Register” means the books of the Authority kept by the Trustee to evidence the registration, transfer and exchange of Bonds.

“Bond Resolution” means the resolution adopted by the Authority on September 11, 2024, authorizing and approving the issuance and sale of the Series 2024 Bonds pursuant to this Indenture.

“Bond Year” means any twelve-month period beginning October 1.

“Bondholder” or “Holder” means the Registered Owner or Beneficial Owner of any Bond.

“Business Day” means any day other than: (a) a Saturday; (b) a Sunday; (c) a day on which banking institutions in the city in which the designated corporate trust office of the Trustee (or its bond registrar, paying agent or tender agent offices) is located are closed; or (d) a day on which the New York Stock Exchange is closed or the payment system of the Federal Reserve is not operational.

“Capital Needs Assessment” means the assessment required pursuant to Section 7.20 of the Financing Agreement.

“Code” means the Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed) promulgated thereunder and under the Internal Revenue Code of 1954, as amended.

“Conditional Redemption” shall have the meaning given in Section 2.13 of this Indenture.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated October 1, 2024, between the Academy and U.S. Bank Trust Company, National Association, as dissemination agent.

“Costs of the Project” means the “Project Costs” as defined in the Financing Agreement.

“Counsel” means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

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Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

“Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Bonds in book entry form, the use of which will not impair the federal tax exemption of interest on the Bonds, and includes and means initially The Depository Trust Company (“DTC”) (a limited purpose trust company), New York, New York.

“Determination of Taxability” means a determination that the interest income on any of the Bonds is included in gross income for federal income tax purposes, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the day on which the Academy or the Authority is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that, based upon any filings of the Academy or the Authority, or upon any review or audit of the Academy or the Authority, or upon any other grounds whatsoever, the interest on the Bonds is includable for federal income tax purposes in the gross income of any current or former Bondholder thereof;

(b) the day on which the Academy receives notice from the Trustee in writing that the Trustee has been advised in writing by any current or former Bondholder of a Bond that the Internal Revenue Service has issued a statutory notice of deficiency or similar notice to such current or former Bondholder which asserts in effect that the interest on the Bonds received by such current or former Bondholder is includable for federal income tax purposes in the gross income of such current or former Bondholder;

(c) the day on which the Academy or the Authority is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that there has been issued a public or private ruling of the Internal Revenue Service or a technical advice memorandum issued by the national office of the Internal Revenue Service that the interest on the Bonds is includable for federal income tax purposes in the gross income of any current or former Bondholder of a Bond;

(d) the day on which the Academy or the Authority is advised in writing that a final determination, from which no further right of appeal exists, has been made by a court of competent jurisdiction in the United States of America in a proceeding with respect to which the Academy has been given written notice and an opportunity to participate and defend that the interest on the Bonds is includable for federal income tax purposes in the gross income of any current or former Bondholder of a Bond; or

(e) the date specified in a written opinion to the Academy from Bond Counsel as the day on which interest on the Bonds first became or will become includable for federal income tax purposes in the gross income of any current or former Bondholder of a Bond;

provided, however, no Determination of Taxability shall occur under subparagraph (a), (b) or (c) of this paragraph unless the Academy has been afforded the opportunity, at its expense, to contest any such conclusion and/or assessment after furnishing the Trustee and the Authority, within 30

days after the occurrence of an event described in subparagraph (a), (b) or (c) of this paragraph, with an opinion of Bond Counsel to the effect that there is a reasonable likelihood that the Academy will prevail in such contest, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined. The Academy shall promptly notify the Trustee and the Authority of any event described in subparagraph (a), (c), (d) or (e) of this paragraph and shall further promptly notify the Trustee and the Authority of any final determination if the Academy has contested under subparagraph (a), (b) or (c) of this paragraph. The Academy shall be deemed to have been afforded the opportunity to contest the occurrence of a Determination of Taxability if it shall have been permitted to commence and maintain any action in the name of any current or former Bondholder of a Bond to judgment and through any appeals therefrom or other proceedings related thereto.

“Earnings” shall mean investment income consisting only of such interest and dividends derived from investment of moneys deposited in the Reserve Fund.

“Electronic Means” shall mean a portable document format (“pdf”) or other replicating image attached to an unsecured email, teletype or facsimile transmission, secure electronic transmission (containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee), or other method or system specified by the Trustee as available for use in connection with its services hereunder.

“Eligible Investments” shall mean such of the following as shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys will be required for the purposes intended:

(a) With respect to all funds and accounts other than the Authority Funded Reserve Account:

(i) Government Obligations;

(ii) Any bonds or other obligations of any state of the United States of America or of any local governmental unit of any such state which: (A) are rated at the time of purchase in the highest rating category by S&P Global Ratings based on an escrow; (B) are not callable unless irrevocable instructions have been given to the trustee of such bonds to give due notice of redemption and to call such bonds for redemption on the date(s) specified in such instructions; and (C) are secured by cash and/or Government Obligations;

(iii) Direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided such obligations are rated at the time of purchase in either of the two highest rating categories by S&P Global Ratings;

(iv) Obligations of any state of the United States of America or any local governmental unit of any such state which shall be rated at the time of purchase in the highest rating category by S&P Global Ratings;

(v) Certificates that evidence ownership of the right to payments of principal or interest on the obligations described in clause (i), provided that: (A) such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under Section 7.04 of this Indenture; (B) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (C) the underlying Government Obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated;

(vi) Certificates of deposit, whether negotiable or nonnegotiable, and banker's acceptances of any bank in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, or any savings and loan association in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, provided that such certificate of deposit or banker's acceptance is from a bank or from a savings and loan association having a combined capital and surplus aggregating at least Fifty Million Dollars (\$50,000,000) provided further that such certificate of deposit or banker's acceptance is secured by Government Obligations with a market value equal to the principal amount of such certificate of deposit or banker's acceptance over the amount guaranteed by the Federal Deposit Insurance Corporation or its successor, and provided further that such certificate of deposit or banker's acceptance is rated at least A-1+ by S&P Global Ratings at the time of purchase and has a maturity of not more than 365 days;

(vii) U.S. dollar denominated deposit accounts, federal funds with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P Global Ratings and "P-1" by Moody's and maturing no more than 360 days after the date of purchase, provided such investments are permitted by 1855 PA 105, as amended. (Ratings on holding companies are not considered as the rating of the bank). The Trustee may conclusively rely upon the Authority's instructions as to compliance with such act;

(viii) Commercial paper of a United States corporation or finance company, other than that issued by bank holding companies, rated at the date of investment in the highest rating category by S&P Global Ratings;

(ix) To the extent approved by the State Treasurer, debentures or notes issued by any of the following Federal agencies: Bank for Cooperatives, Federal Intermediate Credit Bank, Federal Loan Bank, Export-Import Bank of the United States, Government National Mortgage Association or Federal Land Bank (including participation certificates issued by such Associations) and all other obligations issued or in the opinion of the Attorney General of the United States unconditionally guaranteed as to principal and interest by any agency or person controlled or supervised by and acting as an

instrumentality of the United States of America pursuant to authority granted by the Congress, and

(x) Securities of, or other interests in, a no-load, open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. §§80a-1 to 80a-64 (including those for which the Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise), so long as the portfolio of the investment company or investment trust is limited to (i) United States Government Obligations and repurchase agreements fully collateralized by United States Government Obligations and the investment company or investment trust takes delivery of the collateral for any repurchase agreement either directly or through an authorized custodian or (ii) securities of, or other investments in, an investment company or investment trust which meets the foregoing requirements, and is rated at least "AAAm" or "AAAm-G" by S&P Global Ratings.

(b) With respect to the Authority Funded Reserve Account:

(i) Obligations issued or guaranteed by the United States Government so long as the maturity of such obligations does not exceed three (3) years;

(ii) Obligations of instrumentalities or agencies of the United States or government-sponsored enterprises so long as the maturity of such obligations does not exceed three (3) years;

(iii) Obligations issued by or guaranteed by any state, provided such obligations are rated in the two highest rating categories of a Rating Agency so long as the maturity of such obligations does not exceed three (3) years;

(iv) Commercial paper, repurchase agreements, guaranteed investment contracts or other similar instruments issued by corporations that are organized and operating within the United States having assets in excess of \$500 million and having a short-term rating in the highest rating category of a Rating Agency and a long-term rating in one of the two highest rating categories;

(v) Money market funds that invest solely in United States Government securities or in the United States agency securities from issuers under categories (i) through (iv) of this subsection (b); and

(vi) Certificates of deposit (with no more than \$100,000 purchased from a single financial institution) that are fully insured by the Federal Deposit Insurance Corporation, including certificates of deposit acquired through the Certificate of Deposit Account Registry Service that meet these criteria.

Ratings of Eligible Investments referred to herein shall be determined at the time of purchase of such Eligible Investments and without regard to ratings subcategories. The Trustee

shall have no responsibility to monitor the ratings of Eligible Investments after the initial purchase of such Eligible Investments.

“Enabling Legislation” shall mean Executive Reorganization Order No. 2010-2 (Executive Order No. 2010-2), compiled at §12.194 of the Michigan Compiled Laws, Executive Reorganization Order No. 2002-3 (Executive Order No. 2002-3), compiled at §12.192 of the Michigan Compiled Laws, Executive Reorganization Order No. 2002-8 (Executive Order No. 2002-12), compiled at §12.193 of the Michigan Compiled Laws, and the Shared Credit Rating Act, Act 227, Public Acts of Michigan, 1985, as amended.

“Environmental Indemnification Agreement” means the Environmental Indemnification Agreement, dated as of October 1, 2024, entered into by the Academy in favor of the Trustee.

“Event of Default” means any of the events specified in Section 6.01. hereof.

“Facilities” means the Academy’s school facilities, as improved by the Project, located on the Property.

“Financing Agreement” means the Financing Agreement dated as of October 1, 2024, between the Authority and the Academy, as the same may be amended or supplemented from time to time as permitted thereby and hereby.

“Fiscal Year” means the Academy’s fiscal year which is the period commencing on the first day of July and ending on the last day of June of each year or such other twelve-month period as may be designated by the Academy as the fiscal year of the Academy.

“Government Obligations” means: (a) direct obligations of the United States of America (including obligations issued or held in book-entry form); (b) obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America; (c) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (a) and (b), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a special account separate from the general assets of such custodian; and (d) municipal obligations the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clause (a), (b) or (c), provided such obligations are not subject to call by the obligor for redemption prior to maturity, have been called for redemption prior to maturity or, if subject to call by the obligor for redemption prior to maturity, such right to call the obligation for redemption prior to maturity has been waived; provided, however, Government Obligations shall not include any investment which is prohibited or not permitted by the Enabling Legislation.

“Grant Funds” means funds obtained by the Authority from a grant obtained from the United States Department of Education.

“Indenture” means this Trust Indenture, as amended or supplemented from time to time as permitted hereby.

“Interest Payment Date” means each April 1 and October 1, commencing April 1, 2025.

“Investment Income” means the earnings and profits derived from the investment of moneys in the Project Fund and the Bond Fund pursuant to this Indenture.

“Issue Date” means \_\_\_\_\_, 2024, the date the Bonds are issued.

“Letter of Representations” means the blanket agreement of the Authority to comply with the operational arrangements of The Depository Trust Company and any similar agreements with respect to a successor Depository.

“Mortgage” means the Mortgage, dated as of October 1, 2024, from the Academy in favor of the Trustee with respect to the Property.

“Municipal Obligation” means the School Building and Site and Refunding Bond, Series 2024, of the Academy, dated as of the Issue Date.

“Outstanding”, when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, means all Bonds which have been authenticated and delivered by the Trustee hereunder, except:

(a) Bonds canceled or delivered for cancellation at or prior to such date;

(b) Bonds, or portions thereof, for the payment or prepayment of which funds shall have been deposited with the Trustee (whether on or prior to the maturity or prepayment date of any such Bonds); provided, however that if such Bonds are to be redeemed prior to maturity thereof, notice of such prepayment shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to ARTICLE II hereof; and

(d) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the holders of a specified percentage of Outstanding Bonds hereunder, all Bonds held by or for the account of the Authority or the Academy, except that for purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Trustee shall be obligated to consider as not being Outstanding only Bonds of which the Trustee has actual notice to be so held.

“Participant” or “Participants” means securities brokers and dealers, banks, trust companies and clearing corporations which participate in the Depository with respect to the Bonds.

“Person” means any natural person, firm, partnership, association, limited liability company, corporation, or public body.

“Prior Indenture” means the Trust Indenture, dated as of July 1, 2015, between the Authority and U.S. Bank National Association, as trustee, relating to the Prior Obligation.

“Prior Obligation” means the Academy’s Public School Academy Revenue and Refunding Bonds, in the principal amount of \$8,500,000, the proceeds of which were used by the Academy, in part, to acquire the Property and construct the Facilities.

“Prior Obligation Trustee” means U.S. Bank Trust Company, National Association, successor to U.S. Bank National Association, as trustee under the Prior Indenture.

“Project” means the construction, improvement, equipping and furnishing of an addition to the Facilities.

“Project Fund” means the fund created by 0 of this Indenture.

“Property” means the land and improvements thereon located 36301 Utica Road, Clinton Township, Michigan, as more fully described in the Financing Agreement.

“Rating Agency” means Moody’s Investors Service, Fitch Ratings and/or S&P Global Ratings or their successors and assigns, according to which of such rating agencies then rates the Bonds; and provided that if none of such rating agencies then rates the Bonds, the term “Rating Agency” shall be deemed to refer to any nationally recognized securities rating agency, which shall be identified to the Trustee by the Authority.

“Record Date” means with respect to each Interest Payment Date, the Trustee’s close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date, regardless of whether such day is a Business Day.

“Refunding” means the payoff of the Prior Obligation.

“Registered Owner” means the person or persons in whose name or names a Bond is registered on the registration books of the Authority maintained by the Trustee for that purpose in accordance with the terms of this Indenture.

“Repair and Replacement Fund” means the fund by that name established pursuant to Section 4.04 of this Indenture and which shall be entitled “Michigan Finance Authority Repair and Replacement Fund 2024 Huron Academy Project”.

“Repair and Replacement Fund Requirement” means the amount of \$200,000, or such higher amount as may be required by the Capital Needs Assessment, subject to the payment requirement limitations set forth in Section 4.12 of the Financing Agreement and distribution limitations set forth in Sections 4.01(d) and 4.04 of this Indenture.

“Reserve Fund” means the fund established pursuant to Section 4.02 of this Indenture and which shall be entitled “Michigan Finance Authority Debt Service Reserve Fund 2024 Huron Academy Project”, to be funded with a portion of the proceeds from the Series 2024 Bonds and

by Appropriated Funds and Grant Funds or other funds of the Authority authorized to be used for such purposes by an Authorized Officer of the Authority.

“Reserve Fund Payments” means all payments required of the Academy to replenish any deficiency in the Reserve Fund.

“Reserve Fund Requirement” means an amount equal to the least of: (a) the maximum annual principal and interest requirements on the Series 2024 Bonds and any Additional Bonds for the then-current or any succeeding Bond Year; (b) 125% of the average annual principal and interest requirements on the Series 2024 Bonds and any Additional Bonds; or (c) 10% of the original principal amount of the Series 2024 Bonds and any Additional Bonds (net of original issue discount), determined at the time of initial issuance of the Series 2024 Bonds and any Additional Bonds and on the first day of each Fiscal Year thereafter while any Series 2024 Bonds or Additional Bonds are Outstanding, in accordance with Treasury Regulation 1.148-2(f)(2)(ii). The Reserve Fund Requirement for the Reserve Fund may be satisfied by delivery to the Trustee of a Reserve Fund Security Instrument.

“Reserve Fund Security Instrument” means a letter a credit, line of credit, policy of insurance, surety bond or similar instrument which will provide for the payment of all or part of the amounts required to be disbursed from the Reserve Fund; provided that the Reserve Fund Security Instrument shall not result in a reduction of any rating on the Bonds.

“Responsible Officer” means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

“Revenue Account” means the account by that name established within the Bond Fund pursuant to Section 4.01 of this Indenture.

“Security” means the revenues (including Academy Repayments), funds, rights and interests specified in Section 3.01 of this Indenture.

“Series 2024 Bonds” means the \$ \_\_\_\_\_ Michigan Finance Authority Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024.

“State” means the State of Michigan.

“State Aid Agreement” means the State Aid Agreement, dated as of October 1, 2024, among the Authority, the Michigan State Treasurer, the Ferris State University Board of Trustees, the Academy and the Trustee.

“State Aid Intercept Account” means the account by that name established within the Bond Fund pursuant to Section 4.01 of this Indenture.

“Surplus Bond Proceeds” shall mean any proceeds remaining in the Project Fund upon completion of the Project, as determined in accordance with the Financing Agreement.

“Trustee” means U.S. Bank Trust Company, National Association, a national banking association, acting in its capacity as the trustee under this Indenture, and any permitted successor trustee under ARTICLE VII of this Indenture.

“Unassigned Rights” means the right of the Authority to make all determinations and approvals and receive all notices accorded to it under this Indenture and to enforce in its name and for its own benefit the provisions of Sections 4.07, 5.02 and 9.03 of the Financing Agreement with respect to the Authority fees and expenses, and indemnity payments as the interests of the Authority and related persons shall appear.

“Underwriter” means Raymond James & Associates, Inc., and any successor thereto.

## ARTICLE II

### THE BONDS

**Section 2.01. Authorized Amount of Bonds.** No Bonds may be issued under the provisions of this Indenture except in accordance with this Article II. Pursuant to the Bond Resolution, the total principal amount of Series 2024 Bonds that may be issued and outstanding hereunder is expressly limited to \$ \_\_\_\_\_, subject to the provisions of Section 2.16 hereof. The Bonds are issued for the purpose of enabling the Authority to purchase the Academy’s Municipal Obligation. The Municipal Obligation shall be in fully marketable form (as defined in the Enabling Legislation) and otherwise satisfactory to the Authority. The proceeds of the Authority’s purchase of the Municipal Obligation shall be used to: (a) accomplish the Refunding; (b) make a deposit to the Project Fund; (c) pay capitalized interest; (d) fund a deposit to the Academy Funded Reserve Account; and (e) pay certain costs of issuing the Bonds and the Municipal Obligation. The Authority shall deposit into the Authority Funded Reserve Account an amount equal to the Authority Contribution.

**Section 2.02. Issuance of Bonds; Authority Contribution to Reserve Fund.** The Series 2024 Bonds: (a) shall be designated the “Michigan Finance Authority Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024”; (b) shall be dated the Issue Date; (c) shall bear interest from the Issue Date at the rates provided in Exhibit B hereto until the Authority’s obligation with respect to payment of the principal is discharged, computed on a 360-day year of twelve 30-day months); and (d) shall mature at the times and in the principal amounts provided in Exhibit B hereto.

The Series 2024 Bonds shall be issued as registered bonds without coupons and shall be issued in Authorized Denominations. The Series 2024 Bonds shall be numbered consecutively

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Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

from R-1 upwards bearing numbers not then contemporaneously outstanding (in order of issuance) according to the records of the Trustee.

The principal of and the redemption premium, if any, and the interest on the Bonds shall be payable in lawful money of the United States of America. The principal of and redemption premium, if any, on the Series 2024 Bonds shall be payable at the principal corporate trust office or other designated office of the Trustee. The interest on the Series 2024 Bonds shall be paid by check or draft of the Trustee mailed to the Persons in whose names the Series 2024 Bonds are registered on the Bond Register at the close of business on the Record Date next preceding each Interest Payment Date; provided, however, any registered holder of Series 2024 Bonds in the aggregate principal amount of \$1,000,000 or more as of the close of business on the Record Date preceding any Interest Payment Date may, by prior written instructions filed with the Trustee on or before the second Business Day preceding such Record Date (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that interest payments for any period be made by wire transfer to any bank located in the continental United States.

If any payment of interest or principal or redemption premium on the Series 2024 Bonds is due on a date not a Business Day, payment shall be made on the next succeeding Business Day with the same force and effect as if made on the date which is fixed for such payment, and no interest shall accrue on such amount for the period after such due date.

THE PROVISIONS OF THE SERIES 2024 BONDS SHALL CONTROL TO THE EXTENT OF ANY CONFLICT WITH THE PROVISIONS HEREOF.

Immediately upon the receipt thereof, the net proceeds of the sale of the Series 2024 Bonds shall be deposited with the Trustee in the following manner:

- (i) \$ \_\_\_\_\_ shall be transferred to the Prior Obligation Trustee on \_\_\_\_\_, 2024, to accomplish the Refunding;
- (ii) \$ \_\_\_\_\_ shall be deposited in the Project Fund to finance all or a portion of the Costs of the Project;
- (iii) \$ \_\_\_\_\_ shall be deposited into the Academy Funded Reserve Account of the Reserve Fund;
- (iv) \$ \_\_\_\_\_ shall be deposited into the Bond Fund to pay for capitalized interest; and
- (v) the balance, if any, of the proceeds of Series 2024 Bonds shall be deposited in the Bond Fund.

In addition, on the Issue Date the Authority shall cause \$ \_\_\_\_\_ of Appropriated Funds and \$ \_\_\_\_\_ of Grant Funds to be deposited in the Authority Funded Reserve Account of the Reserve Fund.

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Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

**Section 2.03. Execution; Limited Obligation.** The Series 2024 Bonds shall be executed on behalf of the Authority with the manual or facsimile signature of an Authorized Officer. Any authorized facsimile signature shall have the same force and effect as if manually signed. In case any official of the Authority whose signature or facsimile signature shall appear on the Series 2024 Bonds shall cease to be such official before the delivery of such Series 2024 Bonds, such signature or facsimile signature shall nevertheless be valid and sufficient for all purposes, the same as if such official had remained in office until delivery. The Series 2024 Bonds may be signed on behalf of the Authority by such person who, at the time of the execution of such Series 2024 Bonds, is duly authorized or holds the appropriate office of the Authority, although on the date of the Series 2024 Bonds such person was not so authorized or did not hold such office.

The Bonds, together with interest thereon and redemption premium with respect thereto, are limited obligations of the Authority secured by the Security, shall always be payable solely from the revenues and income derived therefrom, and shall always be a valid claim of the holders thereof only against the revenues and income derived from the Security and from other instruments assigned to or held by the Trustee, which revenues and income shall be used for no other purpose than to pay the principal installments of, redemption premium, if any, and interest on the Bonds, except as may be expressly authorized otherwise in this Indenture or the Financing Agreement. The Bonds and the obligation to pay interest thereon and redemption premiums with respect thereto do not now and shall never constitute an indebtedness or an obligation of the Authority or the State or any political subdivision thereof, within the purview of any constitutional limitation or provision, or a charge against the general credit or taxing powers, if any, of either of them, but shall be secured by the Security, and shall be payable solely from the revenues and income derived therefrom. Neither the faith and credit nor the taxing power, if any, of the Authority or the State or any political subdivision thereof shall be pledged to the payment of the principal of, premium, if any, or interest on, the Bonds or any costs incidental thereto. No owner of the Bonds shall have the right to compel the exercise of the taxing power, if any, of the State of Michigan to pay any principal installment of, premium, if any, or interest on the Bonds. The Authority and the Academy have no taxing power.

**Section 2.04. Certificate of Authentication.** No Series 2024 Bonds shall be secured hereby or entitled to the benefit hereof or shall be or become valid or obligatory for any purpose unless there shall be endorsed thereon a certificate of authentication, substantially in the form of the Series 2024 Bond as set forth in the attached Exhibit A, executed by a Responsible Officer of the Trustee; and such certificate on any Series 2024 Bond issued by the Authority shall be conclusive evidence and the only competent evidence that it has been duly authenticated and delivered hereunder.

**Section 2.05. Form of Bonds.** The Series 2024 Bonds, the Trustee's certificate of authentication and the form of assignment shall be in substantially the form attached as Exhibit A with such changes as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or of any securities exchange on which the Series 2024 Bonds may be listed or any usage or requirement of law or practice with respect thereto.

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
15

**Section 2.06. Delivery of Series 2024 Bonds.** Upon the execution and delivery hereof, the Authority shall execute the Series 2024 Bonds and deliver them to the Trustee, and the Trustee shall authenticate the Series 2024 Bonds and deliver them to such purchaser or purchasers as shall be directed by the Authority as hereinafter provided in this Section 2.06.

Prior to or simultaneously with the authentication and delivery of the Series 2024 Bonds by the Trustee, there shall be filed with or delivered to the Trustee the following:

(a) A copy, certified by an Authorized Officer of the Authority, of all resolutions adopted and proceedings had by the Authority authorizing the issuance and delivery of the Series 2024 Bonds, including the Bond Resolution;

(b) An original executed counterpart of this Indenture, the Financing Agreement, the Bond Purchase Agreement, the Municipal Obligation, the State Aid Agreement, the Mortgage, the Continuing Disclosure Agreement and the Environmental Indemnification Agreement;

(c) An original executed counterpart of the nonarbitrage and tax compliance certificate of the Academy relating to the Series 2024 Bonds dated the Issue Date, in form and substance satisfactory to Bond Counsel and the Attorney General of the State of Michigan which shall be evidenced by the delivery of the opinion of Bond Counsel required under (g) below;

(d) Closing certificates of the Academy and the Authority in form and substance satisfactory to Bond Counsel and the Attorney General of the State of Michigan which shall be evidenced by the delivery of the opinion of Bond Counsel required under (g) below;

(e) A copy of completed IRS Form 8038-G to be filed by or on behalf of the Authority pursuant to Section 149(e) of the Code;

(f) An original executed counterpart of the nonarbitrage certificate of the Authority establishing its reasonable expectations to the effect that the Bonds will not be "arbitrage bonds" within the meaning of Section 148(a) of the Code;

(g) An opinion of Bond Counsel addressed to the Authority and the Trustee and an opinion of the Attorney General of the State of Michigan addressed to the Authority to the effect that the interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes (other than any interest which may be includable as a preference item or adjustment item in computing any minimum tax) and that this Indenture and the Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding agreements of the Authority;

(h) An opinion of Counsel for the Academy addressed to the Authority, the Trustee and the Underwriter to the effect that the Financing Agreement, the Bond Purchase Agreement, the Municipal Obligation, the State Aid Agreement, the Mortgage, the Continuing Disclosure Agreement and the Environmental Indemnification Agreement have been duly authorized, executed and delivered by the Academy and are legal, valid and binding agreements of the

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
16



Academy, together with such additional matters as may be requested by Bond Counsel or the Attorney General of the State of Michigan;

(i) A request and authorization to the Trustee on behalf of the Authority and signed by an Authorized Officer of the Authority directing the Trustee to authenticate and deliver the Bonds in such specified denominations as permitted herein to the Underwriter upon payment to the Trustee, but for the account of the Authority, of the aggregate principal amount of the Bonds, plus accrued interest, if any;

(j) An executed Letter of Representations to the Depository;

(k) Evidence satisfactory to the Trustee that there has been paid into the Reserve Fund any amounts required by this Indenture; and

(l) Such other documents, opinions of Counsel and certificates as the Attorney General of the State of Michigan or Bond Counsel may require or as may be required by the Bond Purchase Agreement (which shall be done through the inclusion of such items on the final closing memorandum prepared for inclusion in the transcript of proceedings relating to the issuance of the Series 2024 Bonds).

Upon receipt of the foregoing, the Trustee shall authenticate and deliver the Bonds as provided above.

**Section 2.07. Mutilated, Lost, Stolen or Destroyed Bonds.** If any Bond is mutilated, lost, stolen or destroyed, the Authority may execute and the Trustee may authenticate and deliver a new Bond of the same maturity, interest rate, principal amount and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Authority and the Trustee evidence satisfactory to each of them of the ownership of such Bond and of such loss, theft or destruction, together with indemnity satisfactory to the Trustee and the Authority and compliance with such other reasonable requirements as the Authority and Trustee may prescribe. The replacement of any Bond under this Section 2.07 shall be in accordance with Michigan Compiled Laws Annotated Section 129.131 et. seq. If any such Bond shall have matured or a redemption date pertaining thereto shall have passed, instead of issuing a new Bond, the Authority may pay the same without surrender thereof. The Authority and the Trustee may charge the Holder of such Bond with their reasonable fees and expenses in this connection.

**Section 2.08. Exchangeability and Transfer of Bonds; Persons Treated as Owners.** The Authority shall cause the Bond Register to be kept by the Trustee, which is hereby constituted and appointed the bond registrar for the Bonds.

Any holder of a Bond, in person or by his duly authorized attorney, may transfer title to his Bond on the Bond Register, upon surrender thereof at the designated corporate trust office of the Trustee, together with a written instrument of transfer (in substantially the form of assignment attached to the Bond) executed by the Holder or his duly authorized attorney. Upon surrender for

registration of transfer of any Bond, the Authority shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same aggregate principal amount and tenor as the Bond surrendered and of any Authorized Denomination.

Bonds may be exchanged upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee executed by the Bondholder or his attorney duly authorized in writing, for an equal aggregate principal amount of Bonds of the same aggregate principal amount and tenor as the Bonds being exchanged and of any Authorized Denomination. The Authority shall execute and the Trustee shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding.

Such registrations of transfers or exchanges of Bonds shall be without charge to the holders of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the holder of the Bond requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege. Any service charge made by the Trustee for any such registration, transfer or exchange shall be paid by the Academy.

The Trustee shall not register any transfer of any Bond (or portion thereof) after notice calling such Bond (or portion thereof) for redemption or partial redemption has been given unless the Holder delivers to the Trustee a written statement acknowledging that such Bond has been called for redemption and the date of such redemption.

The Person in whose name any Bond is registered on the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes, except that payment of or on account of either principal, premium, if any, or interest shall be made only to or upon the order of the holder of record as of the Record Date or its duly authorized attorney, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

So long as the Bonds are held in book-entry form, the Authority shall execute and the Trustee shall authenticate a Bond to be held by the Depository, which (a) shall be denominated in an amount equal to the aggregate principal amount of Bonds to be held by the Depository (provided that, unless such Bond is being issued on the Issue Date, the Trustee has received a like aggregate principal amount of Bonds for transfer in accordance with this Section 2.08), (b) shall be registered in the name of the Depository or its nominee in accordance with this Section 2.08, (c) shall be delivered by the Trustee to the Depository or pursuant to the Depository's instructions, and (d) shall bear a legend substantially to the effect that unless the Bond is presented by an authorized representative of the Depository to the Authority or its agent for registration of transfer, exchange or payment, any transfer, exchange, pledge or other use for value or otherwise is wrongful. Neither the Trustee nor any agent shall have any responsibility or liability for any actions taken or not taken by the Depository.

All Bonds issued upon any transfer or exchange of Bonds shall be valid and binding limited obligations of the Authority, evidencing the same debt, and entitled to the same security and benefits under this Indenture, as the Bonds surrendered upon such transfer or exchange.

In executing any Bond upon any exchange or transfer provided for in this Section, the Authority may rely conclusively on a representation of the Trustee that such execution is required.

**Section 2.09. Cancellation.** Matured Bonds and Bonds redeemed prior to maturity (as provided in Section 2.11) delivered to the Trustee shall be canceled. The Trustee shall destroy cancelled Bonds in accordance with customary practices of the Trustee. If the Trustee for its own account or the Academy shall acquire any of the Bonds, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Bonds unless and until the same are delivered to the Trustee for cancellation.

**Section 2.10. Ratably Secured.** All Bonds issued hereunder are and are to be, to the extent provided in this Indenture, equally and ratably secured by this Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity of the Bonds so that, subject as aforesaid, all Bonds at any time Outstanding hereunder shall have the same right, lien and preference under and by virtue of this Indenture and shall all be equally and ratably secured hereby with like effect as if they had all been executed, authenticated and delivered simultaneously on the date hereof, whether the same, or any of them, shall actually be disposed of at such date, or some future date. The Reserve Fund secures the Series 2024 Bonds and any Additional Bonds issued hereunder.

**Section 2.11. Redemption of Bonds.**

(a) **Optional Redemption.** The Series 2024 Bonds are subject to optional redemption prior to maturity at the option of the Authority upon the direction of the Academy, all as provided in the form of Series 2024 Bonds set forth in Exhibit A upon notice as provided in the form of Series 2024 Bonds.

(b) **Mandatory Redemption of Term Bonds.** The Series 2024 Bonds which are term bonds shall be subject to mandatory redemption as provided in the form of Series 2024 Bonds, and shall be redeemed prior to maturity in accordance with the redemption requirements set forth in Exhibit A attached hereto.

(c) **Purchase in Lieu of Redemption.** The Series 2024 Bonds are subject to purchase in lieu of redemption by the Authority upon the direction of the Academy prior to their respective maturity dates at any time, in whole or in part, if the following conditions are satisfied:

(i) The Academy and the Bondholders negotiate and agree upon a purchase price that is communicated to the Trustee, provided that the purchase price so negotiated, together with the expense of such purchase, may not exceed the redemption price of the Series 2024 Bonds to be purchased;

(ii) Upon written agreement as described in (i) above, the Authority upon direction of the Academy shall direct the Trustee to purchase certain Series 2024 Bonds and will provide funds to the Trustee for deposit in the Bond Fund in the amount necessary to pay the purchase price of the selected portion of the Series 2024 Bonds in excess of that required to fully satisfy the next scheduled interest and principal payments due on the Series 2024 Bonds, and provided there is deposited into the State Aid Intercept Account such amount as the Trustee may require to cover the accrued and anticipated fees and expenses;

(iii) The Trustee confirms that the amount provided for by the Academy pursuant to (ii) above is sufficient to satisfy the purchase price agreed to by the Academy and the Bondholders pursuant to (i) above; and

(iv) To the extent permitted by law, the Academy shall indemnify and hold harmless the Trustee, in a form and with such security as may be satisfactory to the Trustee, from and against any and all liabilities, claims, or losses arising out of, by virtue of, or in connection with, the tender of Series 2024 Bonds, up to the amount of the value of the Series 2024 Bonds tendered, except in the case of negligence or willful misconduct on the part of the Trustee.

As Series 2024 Bonds are purchased pursuant to this Indenture, such purchase of Series 2024 Bonds will be considered to have satisfied, in whole or in part, the redemption requirements as set forth in this Indenture in inverse order. Once purchased, such Series 2024 Bonds shall be delivered to the Trustee and cancelled.

(d) **Mandatory Redemption From Insurance and Condemnation Proceeds.** The Series 2024 Bonds are subject to mandatory redemption in whole at any time or in part (and if in part in Authorized Denominations; provided that no Series 2024 Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of the Series 2024 Bonds to be redeemed plus accrued interest to the redemption date, in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Financing Agreement.

(e) **Mandatory Redemption Upon Determination of Taxability.** The Series 2024 Bonds are subject to mandatory redemption prior to maturity, as a whole and not in part, on the earliest practicable date for which notice can be given following the occurrence of a Determination of Taxability at a redemption price equal to 103% of the principal amount thereof plus accrued interest to the redemption date.

**Section 2.12. Partial Redemption of Bonds.** If less than all the Outstanding Bonds are called for redemption, the Trustee shall select, or arrange for the selection of, the Bonds to be redeemed by lot, in such manner as it shall in its discretion determine; provided that any such Bonds selected for redemption shall be in Authorized Denominations and no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not

an Authorized Denomination. If less than the principal amount of a Bond is called for redemption, the Authority shall execute and the Trustee shall authenticate and deliver, upon surrender of such Bond, without charge to the Holder thereof, in exchange for the unredeemed principal amount of such Bond, at the option of such Holder, Bonds in any of the Authorized Denominations. In no event shall the redemption of the Series 2024 Bonds result in a Bond of a denomination of less than an Authorized Denomination.

**Section 2.13. Notice of Redemption.** Notice of redemption shall be mailed by the Trustee by first class mail at least 30 days but not more than 45 days before any redemption date to the Registered Owner of each Bond to be redeemed in whole or in part at its last address appearing on the Bond Register; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond, or portion thereof with respect to which no such failure or defect has occurred. Any notice mailed as provided in this Section 2.13 shall be conclusively presumed to have been duly given, whether or not the Bondholder receives the notice.

All notices of redemption shall state:

- (a) the redemption date,
- (b) the redemption price,
- (c) the identification, including complete designation and issue date of the series of Bonds of which such Bonds are a part and the CUSIP number (and in the case of partial redemption, the respective principal amounts), interest rate and maturity date of the Bonds to be redeemed,
- (d) that on the redemption date the redemption price will become due and payable upon each such Bond, and that interest thereon shall cease to accrue from and after such date, and
- (e) the name and address of the Trustee for such Bonds, including the name and telephone number of a contact person and the place where such Bonds are to be surrendered for payment of the redemption price.

Except as provided below for a Conditional Redemption, all Bonds so called for redemption will cease to bear interest on the specified date set for redemption, provided moneys for their redemption have been duly deposited with the Trustee. Thereafter, the holders of such Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond in an Authorized Denomination for any portion not redeemed.

In the case of an optional redemption pursuant to Section 2.11(a), the notice may state: (a) that it is conditioned upon the deposit of moneys, in an amount sufficient to effect the redemption, with the Trustee on or before the redemption date; or (b) that the Academy retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are

not so deposited or if the notice is rescinded as hereinafter described. On or before the redemption date, funds sufficient to redeem such Bonds, including accrued interest thereon to the redemption date, shall be deposited with the Trustee. The Bonds thus called shall not, on or after the specified redemption date, bear any interest and, except for the purpose of payment, shall not be entitled to the lien of this Indenture. Any Conditional Redemption may be rescinded in whole or in part at any time on or before the redemption date if the Academy delivers a certificate of the Academy to the Trustee at least five days prior to the effective date of the rescission, which shall be no later than five days prior to the redemption date, instructing the Trustee to rescind the redemption notice. The Trustee shall give prompt notice of such properly tendered notice of rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a Conditional Redemption, the failure of the Academy to make funds available in part or in whole on or before the redemption date shall not constitute an Event of Default, and the Trustee shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain Outstanding. Any extraordinary costs incurred by the Trustee in connection with a rescission of a redemption shall be paid by the Academy.

**Section 2.14. Book-Entry-Only Registration of the Bonds.**

(a) Except as provided in subparagraph (c) of this Section 2.14, the Registered Owner of all of the Bonds shall be, and the Bonds shall be registered in the name of, Cede & Co. ("Cede"), as nominee of the Depository. Payment of interest on any Bond, as applicable, shall be made in accordance herewith for the account of Cede on each Interest Payment Date at the address indicated for Cede in the Bond Register.

(b) The Bonds shall be issued as fully registered bonds without coupons in Authorized Denominations in the total aggregate principal amount of the Bonds. Upon initial issuance, the ownership of each such Bond shall be registered on the Bond Register in the name of Cede, as nominee of the Depository. With respect to the Bonds so registered in the name of Cede, the Authority, the Academy and the Trustee, shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, Cede or any Participant or any nominee of a Beneficial Owner with respect to any beneficial ownership interest in the Bonds; (ii) the delivery to any Participant, Beneficial Owner or other person, other than the Depository, of any notice with respect to the Bonds, including any notice of redemption; or (iii) the payment to any Participant, Beneficial Owner or other person, other than Cede, as nominee of the Depository, of any amount with respect to the principal or redemption price of, or interest on, the Bonds. The Authority, the Academy and the Trustee may treat and deem Cede, as nominee of the Depository, as the absolute owner of each Bond for all purposes whatsoever, including (but not limited to) (i) payment of the principal or redemption price of, and interest on, each such Bond, (ii) giving notices of redemption and other matters with respect to such Bonds and (iii) registering transfers with respect to such Bonds. The Trustee shall pay the principal or redemption price of, and interest on, all Bonds only to or upon the order of Cede, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal redemption price and interest, to the extent of the sum or sums so paid. So long as the Bonds are book-entry-only, no person

other than the Depository shall receive a Bond evidencing the obligation of the Authority to make payments of principal of and interest on, the Bonds pursuant to this Indenture. Upon delivery by the Depository to the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions of this Indenture, the word “Cede” herein shall refer to such new nominee of the Depository; provided that, notwithstanding any provision of this Indenture to the contrary, until the termination of the book-entry-only system, the Bonds may be transferred in whole, but not in part, only to a nominee of the Depository, or by a nominee of the Depository to the Depository or any nominee thereof.

(c) (i) The Depository may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee and discharging its responsibilities with respect thereto under applicable law.

(ii) The Authority, at the sole discretion and direction of the Academy and without the consent of any other person, may terminate the services of the Depository with respect to the Bonds if the Academy determines that the continuation of the system of book-entry-only transfer through the Depository is not in the best interests of the Beneficial Owners of the Bonds or is burdensome to the Authority or the Academy.

(iii) Upon the termination of the services of the Depository with respect to the Bonds pursuant to subsection (c)(i) or (ii) hereof, the Bonds shall no longer be restricted to being registered on the Bond Register in the name of Cede as nominee of the Depository. In such event, the Authority shall issue and the Trustee shall transfer and exchange Bond certificates of like principal amount, in Authorized Denominations to the Participants or the identifiable Beneficial Owners (as identified by the Depository or the Participants) in replacement of such Beneficial Owners’ beneficial interests in the Bonds. Notwithstanding the preceding sentence, if the Academy designates a successor Depository, the Authority shall issue and the Trustee shall transfer and exchange a Bond certificate, in such name as is directed by the successor Depository, in the amount of Bonds then Outstanding and the Trustee shall take such other action as is necessary so that the beneficial ownership interests of the Beneficial Owners are properly reflected on the records of the successor Depository and its Participants. In such event, references herein to “Cede” shall be deemed to refer to the successor Depository, or its nominee, as the context requires.

(d) The Authority and the Trustee may conclusively rely on: (i) a certificate of the Depository as to the identity of the Participants in the book-entry-only system; and (ii) a certificate of such Participants as to the identity of, and the respective principal amounts of Bonds beneficially owned by, the Beneficial Owners.

(e) Whenever, during the term of the Bonds, Beneficial Ownership thereof is determined by a book entry at the Depository, the requirements in this Indenture of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Depository as to registering or transferring the book entry to produce the same effect.

(f) Notwithstanding anything in this Indenture to the contrary, the Authority and the Trustee hereby agree as follows with respect to the Bonds, if and to the extent any Bond is registered in the name of Cede as nominee of the Depository: (i) the Trustee shall give the Depository all special notices required by the Letter of Representations at the times, in the forms and by the means required by the Letter of Representations; (ii) the Trustee shall make payments to Cede at the times and by the means specified in the Letter of Representations; (iii) Cede shall not be required to surrender Bonds which have been partially paid or prepaid to the extent permitted by the Letter of Representations; and (iv) the Trustee shall set a special record date (and shall notify the registered owners of the Bonds thereof in writing) prior to soliciting any Bondholder consent or vote, such notice to be given not less than 15 calendar days prior to such record date (any Bond transferred by a registered owner subsequent to the establishment of the special record date and prior to obtaining such consent or vote shall have attached to it a copy of the notice to Bondholders by the Trustee).

(g) NEITHER THE AUTHORITY, THE ACADEMY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS WITH RESPECT TO: (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE DEPOSITORY OR ANY PARTICIPANT; (ii) THE PAYMENT BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (iii) THE DELIVERY OF ANY NOTICE BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO BONDHOLDERS UNDER THE TERMS OF THIS INDENTURE; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE BONDS.

**Section 2.15. CUSIP Numbers.** All payments of principal, premium and interest, whether by check or draft or wire transfer, shall be accompanied by the appropriate CUSIP number identification with appropriate dollar amounts for each CUSIP number.

**Section 2.16. Additional Bonds.** The Authority reserves the right to issue Additional Bonds, upon the request of the Academy with such approvals as required by the Enabling Legislation, without limit in one or more series for the acquisition, construction, expansion, equipping and/or renovation of facilities to be used by the Academy and for such other purposes set forth in, and subject to the requirements, of the Financing Agreement. Additional Bonds shall be of the same priority as the Series 2024 Bonds and all Bonds issued under this Indenture shall be equally and ratably payable from and secured by the Security, but the Additional Bonds shall bear such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Authority and the Academy. No Additional Bonds shall be issued unless the following terms and conditions have been met:

(a) The Financing Agreement, the State Aid Agreement and the Mortgage shall be in effect and no “event of default,” as such term is defined in the Financing Agreement and the Mortgage, shall exist thereunder; and

(b) The Trustee shall have been furnished an opinion of Bond Counsel to the effect that the issuance of such Additional Bonds shall not cause interest on the Bonds and any other Outstanding Bonds issued on a federally tax-exempt basis to be includable in gross income of the recipient for federal income tax purposes under the Code; and

(c) There shall have been furnished to the Trustee a supplement to the Financing Agreement providing for additional Academy Repayments or a new agreement providing for additional payments sufficient to pay the principal of and interest on the Additional Bonds when due and supplements or amendments to the Mortgage and State Aid Agreement, if required, providing for the security of the Additional Bonds on parity with the Outstanding Bonds; and

(d) There shall have been furnished to the Trustee a certificate of an Authorized Academy Representative to the effect that the proceeds of the Additional Bonds, together with any additional funds supplied or to be supplied from any source, will be sufficient to complete the cost of the project for which such Additional Bonds are issued; and

(e) There shall be given to the Trustee evidence of compliance with the requirements of the Financing Agreement relating to the issuance of Additional Bonds; and

(f) Upon issuance of such Additional Bonds, there shall be deposited in the Reserve Fund an amount necessary to cause the amount therein to equal the Reserve Fund Requirement and the maximum additional amount permitted under the Code to be deposited therein with respect to such Additional Bonds, as certified in writing to the Trustee by an Authorized Academy Representative; and

(g) The proceeds of the Additional Bonds are to be used to finance the improvement of the Property or the acquisition or installation of equipment therein or the acquisition, construction and/or renovation of, an additional school facility of the Academy and/or the acquisition or installation of equipment thereon, and the Academy obtains a written report from an independent consultant selected by the Academy who is not within the regular employ of the Academy and has a reputation for skill and experience in such work, which report sets forth and states that: (i) the Academy’s Net Income Available for Debt Service (as defined in the Financing Agreement) for the Fiscal Year immediately preceding the date on which such Additional Bonds are to be issued for which audited financial statements are available totals at least 110% of maximum Principal and Interest Requirements on existing Long-Term Indebtedness (as defined in the Financing Agreement) of the Academy payable in any Fiscal Year; (ii) the Net Income Available for Debt Service for the first Fiscal Year beginning after the Fiscal Year in which any improvements being financed by such proposed Additional Bonds are to be placed in service, or, if no improvements are to be financed thereby, beginning with the first Fiscal Year after the Fiscal Year in which the proposed Additional Bonds are to be issued, will be at least 120% of the maximum Principal and Interest Requirements on Long-Term Indebtedness (including such requirements for the proposed

Additional Bonds but excluding such requirements for any then outstanding Long-Term Indebtedness or Bonds to be refinanced by the proposed Additional Bonds) for each Fiscal Year beginning with the second Fiscal Year after the Fiscal Year in which any improvements being financed by such proposed Additional Bonds are to be placed in service, or, if no improvements are to be financed thereby, beginning with the first Fiscal Year after the Fiscal Year in which the proposed Additional Bonds are to be issued, excluding the final year of a series of Bonds; and, (iii) the Academy has met the Cash on Hand Requirement under Section 7.18 of the Financing Agreement at the time of issuance of such Additional Bonds; or the Academy has received the prior written consent of the holders of a majority of the principal amount of the Bonds then Outstanding to the issuance of such Additional Bonds; and

(h) The report of independent consultant obtained pursuant to clause (g) above also provides a statement of projected revenues and expenditures of the Academy for each of the three fiscal years following the fiscal year in which it is estimated the improvements, additions, equipment or new facilities financed by the Additional Bonds are to be placed in service, showing that projected revenues will exceed projected expenditures in each such fiscal year.

Notwithstanding clauses (g) and (h) above, the Authority may issue Additional Bonds for the purpose of refunding (whether in advance of maturity or otherwise) any Outstanding Bonds (such Bonds being referred to as “Refunding Bonds”), if the maximum annual debt service for all Bonds, after giving effect to the issuance of the Refunding Bonds and the application of the proceeds thereof, is not more than 110% of the maximum annual debt service for all Bonds immediately before the issuance of the Refunding Bonds. The issuance of Refunding Bonds shall otherwise comply with the requirements for the issuance of Additional Bonds set forth in this Section 2.16, with the exception of clauses (g) and (h) above which shall not be applicable. An Authorized Academy Representative shall provide a certification to the Trustee of compliance with the limitations of the first sentence of this paragraph as a condition to the issuance of such Refunding Bonds.

The provisions, covenants and agreements herein set forth to be performed by or on behalf of the Academy shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in this Indenture.

### ARTICLE III

#### SECURITY; COVENANTS AND AGREEMENTS OF AUTHORITY

**Section 3.01. Security.** The Bonds and the interest and any redemption premium thereon shall be a limited obligation of the Authority as provided in Section 2.03 hereof, and shall be secured by and payable only from the following:

(a) all Academy Repayments received by the Authority under the Financing Agreement and the Municipal Obligation, which Academy Repayments are to be paid directly to the Trustee and deposited in the Bond Fund;

(b) all moneys and securities in the Project Fund, the Bond Fund and Reserve Fund, including the proceeds of the Bonds pending disbursement thereof;

(c) all of the Authority's rights and interest in the Financing Agreement and the Municipal Obligation, except the Unassigned Rights;

(d) the rights of the Trustee in and under the Mortgage and the Environmental Indemnification Agreement from the Academy in favor of the Trustee with respect to the Property; and

(e) all of the proceeds of the foregoing, including without limitation, investments thereof and Investment Income.

The foregoing are collectively the "Security." In consideration of the purchase of the Series 2024 Bonds and to secure payment of the principal of, redemption premium, if any, and interest on the Series 2024 Bonds and any other cost or pecuniary liability of the Authority relating to the Series 2024 Bonds and any proceeding, document or certification incidental to the issuance of the Series 2024 Bonds, and to secure performance and observance of all covenants, terms and conditions upon which the Series 2024 Bonds are to be issued, including without limitation this Indenture, the Authority, without warranty, pursuant to law hereby conveys, assigns and pledges all of its right, title and interest in, and grants a security interest in, the Security to the Trustee, and its successors and assigns, in trust for the benefit of the Bondholders.

**Section 3.02. Payment of Bonds and Performance of Covenants.** The Authority shall promptly pay, but only out of the Security, the principal of, redemption premium, if any, and interest on the Bonds at the place, on the dates and in the manner provided in the Bonds. The Authority shall promptly perform and observe all covenants, undertakings and obligations set forth herein, in the Financing Agreement or the Bonds on its part to be performed or observed. The Authority agrees that the Trustee in its name or in the name of the Authority may enforce against the Academy or any Person any rights of the Authority under or arising from the Bonds or the Financing Agreement, except the Unassigned Rights, whether or not the Authority is in default hereunder or under the Financing Agreement, but the Trustee shall not be deemed to have hereby assumed the obligations of the Authority under the Financing Agreement, but rather shall have no obligations under the Financing Agreement except as specifically provided therein. The Authority shall fully cooperate with the Trustee in the enforcement by the Trustee of any such rights. At the request of the Trustee, the Authority, upon being indemnified to its satisfaction, shall take such actions as the Trustee shall reasonably request to enforce the rights of the Authority or the Trustee under or arising from the Bonds or the Financing Agreement, except the Unassigned Rights.

**Section 3.03. Authority.** The Authority represents and warrants that: (a) it is duly authorized under the Constitution and laws of the State to issue the Bonds, and to execute, deliver

and perform the terms of this Indenture; (b) all action on its part for the issuance of the Bonds and this Indenture have been duly taken; (c) the Bonds upon issuance and authentication and this Indenture upon delivery, shall be valid and enforceable against the Authority in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights and by general principles of equity; (d) it has not heretofore conveyed, assigned, pledged, granted a security interest in or otherwise disposed of the Security; (e) it has not received any payments under the Financing Agreement and the entire principal balance remains outstanding; (f) it has no knowledge of any right of set-off, defense or counterclaim to payment or performance of the terms or conditions of the Financing Agreement, and (g) the execution, delivery and performance of this Indenture are not in contravention of law or any agreement, instrument, indenture or other undertaking to which it is a party or by which it is bound.

**Section 3.04. No Litigation.** The Authority represents and warrants that: (a) no litigation or administrative action of any nature has been served upon the Authority for the purpose of restraining or enjoining the issuance or delivery of the Bonds or the execution and delivery of this Indenture or the Financing Agreement or in any manner questioning the proceedings or authority under which they have occurred, or affecting their validity or its existence or authority of its present officers; (b) no authority or proceeding for the issuance of the Bonds or for the payment or security thereof has been repealed, revoked or rescinded; (c) no petition seeking to initiate any resolution or other measure affecting the same or the proceedings therefore has been filed; and (d) to the best of the knowledge of the officers of the Authority executing this Indenture, none of the foregoing actions is threatened.

**Section 3.05. Further Assurances.** The Authority covenants that it will cooperate to the extent necessary with the Academy and the Trustee in defenses of the Security against the claims and demands of all Persons, and will do, execute, acknowledge and deliver or cause to be done, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better pledging of the Security. The Authority shall not cause or permit to exist any amendment, modification, supplement, waiver or consent with respect to the Financing Agreement without the prior written consent of the Trustee, which consent shall be governed by ARTICLE VII of this Indenture.

**Section 3.06. No Other Encumbrances.** The Authority covenants that except as otherwise provided herein, it will not sell, convey, mortgage, encumber or otherwise dispose of any portion of the Security.

**Section 3.07. No Recourse.** No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in this Indenture, the Financing Agreement or the Bond Purchase Agreement, against any past, present or future member, official, officer, director or employee of the Authority, or any successor organization, as such, either directly or through the Authority or any successor organization, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such member,

official, officer, director, agent or employee as such is hereby expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of the Bonds.

**Section 3.08. No Personal Liability.** No director, member, officer or employee of the Authority, including any person executing this Indenture or the Bonds, shall be liable personally on the Bonds or subject to any personal liability for any reason relating to the issuance, sale or repayment of the Bonds.

#### ARTICLE IV

#### FUNDS

**Section 4.01. Establishment and Use of Bond Fund.** There is hereby created and established with the Trustee a special fund to be designated the “Michigan Finance Authority – Huron Academy 2024 Bond Fund” (the “Bond Fund”). Within the Bond Fund there shall be established separate trust accounts to be designated the “Revenue Account” and the “State Aid Intercept Account,” provided, however, no such account is required to be established and opened by the Trustee until such time as the account is needed under the provisions of this Indenture. Any other amounts received for deposit in the Bond Fund shall be deposited in the Revenue Account of the Bond Fund and shall not be commingled with any other moneys held by the Trustee.

There shall be deposited in the Revenue Account of the Bond Fund: (a) any proceeds of the Series 2024 Bonds required to be deposited in the Bond Fund to pay capitalized interest on the Series 2024 Bonds; (b) all Academy Repayments under the Municipal Obligation and the Financing Agreement other than Scheduled Bond Payments, including all proceeds resulting from the enforcement of the Security or its realization as collateral in accordance with ARTICLE VI hereof; (c) Investment Income; and (d) all other moneys received by the Trustee under the Financing Agreement for deposit in the Revenue Account of the Bond Fund.

There shall be deposited in the State Aid Intercept Account of the Bond Fund all Academy Repayments under the Municipal Obligation and the Financing Agreement consisting of Scheduled Bond Payments and Additional Payments which are made pursuant to the State Aid Agreement.

Amounts on deposit in the State Aid Intercept Account of the Bond Fund shall be paid out and applied in the following order of priority:

(a) first, amounts will be transferred to the Revenue Account of the Bond Fund to satisfy any Scheduled Bond Payment (as defined in the Financing Agreement) required to be made by the Academy including any overdue Scheduled Bond Payments;

(b) second, amounts will be transferred to the Reserve Fund to satisfy any Reserve Fund Payments required to be made by the Academy;

(c) third, as specified in the Financing Agreement and/or as periodically directed by an Authorized Officer of the Authority, amounts will be used to pay Additional Payments (other than

Reserve Fund Payments and Repair and Replacement Fund Requirement) required to be made by the Academy (the Trustee being permitted but not required to establish a subaccount for purposes of tracking Scheduled Fee Payment Component under the Financing Agreement); and

(d) fourth, so long as no Event of Default has occurred and is continuing and after satisfaction of all Bond Payments, Additional Payments, Reserve Fund Payments and Repair and Replacement Fund payments, if any, then due or coming due during the month of such payment, the balance of any moneys remaining in the State Aid Intercept Account shall be distributed to the Academy or as otherwise directed by the Authority with the requirements of Section 4.05 of the Financing Agreement; provided however, that for the administrative convenience of the Academy and consistent with the terms of Section 4.04 hereof, the Academy is permitted to send prior written notice and instruction to the Trustee that a portion of the funds otherwise to be remitted to the Academy pursuant to this subparagraph (d) for the benefit of the Academy shall instead be deposited into the Repair and Replacement Fund in satisfaction of the Academy’s obligation under Section 4.12 of the Financing Agreement. Regardless of whether such funds are paid to the Academy or deposited at the direction of the Academy in the Repair and Replacement Fund, once paid under this subparagraph (d), they are no longer subject to the lien of this Indenture.

The Authority hereby authorizes and directs the Trustee, and the Trustee hereby agrees, to withdraw sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable.

The Authority and Trustee shall at the direction of the Academy use such moneys to redeem Bonds in the manner and amount as directed, subject to the provisions for redemption of Bonds in this Indenture.

After payment of all principal of, premium, if any, and interest on the Bonds then due as of each October 1 and satisfaction of any other Additional Payments or Reserve Fund Payments then due, the Trustee shall determine the amount of excess funds then held in the Bond Fund as a result of such Investment Income and credit such amount towards the Bond Payment to be paid from the Academy’s State School Aid intercepted on the next Bond Payment Date.

In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay the principal of and interest on such Bonds shall have been made available to the Trustee for the benefit of the Bondholders, all liability of the Authority and any and all liability of the Academy to the Bondholders, respecting payment of such Bonds shall forthwith cease and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Bondholders who shall thereafter be restricted exclusively to such funds for any claim under this Indenture or with respect to the Bonds or the interest thereon.

**Section 4.02. Establishment, Use and Maintenance of Reserve Fund.** The Reserve Fund shall be established with the Trustee. Within the Reserve Fund there shall be established separate trust accounts to be designated “Authority Funded Reserve Account” and “Academy

Funded Reserve Account". Any amounts received for deposit in the Authority Funded Reserve Account shall not be commingled with any other moneys held by the Trustee. Neither the full faith and credit nor any implied guaranty of the State of Michigan or the United States of America shall apply to the Series 2024 Bonds by virtue of the deposit of the Appropriated Funds or Grant Funds by the Authority in the Authority Funded Reserve Account.

The Academy Funded Reserve Account of the Reserve Fund shall receive certain proceeds of the Series 2024 Bonds as described in Section 2.02 hereof and from time to time such additional moneys required to be deposited therein by the Academy pursuant to the Financing Agreement. The Authority Funded Reserve Account of the Reserve Fund shall receive the Authority Contribution as described in Section 2.02 hereof.

If at any time there are not sufficient funds in the Bond Fund for the payment of principal of, premium, if any, and interest on the Series 2024 Bonds as the same become due, the Trustee shall withdraw *pari passu*, on a pro rata basis, from the accounts in the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal, premium, if any, and interest then due on the Series 2024 Bonds.

From time to time as the Trustee determines is necessary, and in any event on the first Business Day of each May and November, while amounts are required to be on deposit in the Reserve Fund, the Trustee shall determine the market value (including accrued but unpaid interest) of all Eligible Investments on deposit in the Reserve Fund, together with any cash then held in the Reserve Fund and any amounts that are available to be drawn under any letter of credit, surety bond or insurance policy then on deposit in the Reserve Fund. Such values shall be determined in accordance with the price provided by pricing services and sources relied upon by the Trustee and the Trustee does not have any duty to independently value any Eligible Investments other than the price provided by pricing services and sources relied upon by Trustee. If the Trustee determines that the aggregate value of such amounts on deposit in the Reserve Fund is less than the Reserve Fund Requirement, the Trustee shall immediately notify the Academy of the amount necessary to restore the Reserve Fund to the Reserve Fund Requirement and the Academy shall pay such amount to the Trustee for deposit, *pari passu*, on a pro rata basis, into the Academy Funded Reserve Account of the Reserve Fund and the Authority Funded Reserve Account of the Reserve Fund on or before the next Payment Date following such notification. Notwithstanding the foregoing, if there are sufficient funds in the State Aid Intercept Account of the Bond Fund to replenish any deficiency in the Reserve Fund, after taking into consideration the priority of payments set forth in Section 4.01 hereof, then the Trustee shall transfer funds from the State Aid Intercept Account, *pari passu*, on a pro rata basis, to the Academy Funded Reserve Account of the Reserve Fund and the Authority Funded Reserve Account of the Reserve Fund to replenish such deficiency.

Earnings realized from Eligible Investments in the Authority Funded Reserve Account shall be released to the Authority free and clear of the lien of this Indenture on the Business Day before each October 1 and April 1, without regard to whether the aggregate amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement and on the Business Day before payment or defeasance of all of the Bonds in accordance with Article V hereof.

Earnings realized from Eligible Investments in the Academy Funded Reserve Account of the Reserve Fund shall be released to the Bond Fund on or after each October 1 and April 1, unless the amount on deposit in the Reserve Fund (after taking into account the Earnings released or to be released to the Authority from the Authority Funded Reserve Account) is less than the Reserve Fund Requirement, in which case, Earnings on the Academy Funded Reserve Account shall be retained in the Academy Funded Reserve Account until the amount on deposit in the Academy Funded Reserve Account equals the Reserve Fund Requirement. Moneys from the proceeds of the Series 2024 Bonds or Additional Bonds held in the Academy Funded Reserve Account in excess of the amount equal to the difference between the Reserve Fund Requirement and the amount on deposit in the Authority Funded Reserve Account shall be transferred by the Trustee to the credit of the Revenue Account of the Bond Fund to be used to pay principal or interest on the Series 2024 Bonds on the next available Bond Payment Date.

**Section 4.03. Establishment and Use of Project Fund.** There is hereby created and established with the Trustee a special fund to be designated the "Michigan Finance Authority – Huron Academy 2024 Project Fund." Certain proceeds of the Bonds, as described in Section 4.05 hereof, shall be delivered to the Trustee for deposit into the Project Fund. Any moneys received by the Trustee from any source for the Project shall also be deposited in the Project Fund. Moneys in the Project Fund shall be expended and disbursed to pay Costs of the Project, in accordance with Section 6.01 of the Financing Agreement. The moneys in the Project Fund shall be held in trust by the Trustee and, pending application to pay Costs of the Project, shall be held as trust funds under this Indenture until paid out or transferred as provided in Section 6.01 of the Financing Agreement. Upon receipt of the Completion Certificate under Section 6.04 of the Financing Agreement and direction from the Academy in accordance with Section 6.05 of the Financing Agreement, the Trustee shall deposit the Surplus Bond Proceeds, if any, in the Revenue Account of the Bond Fund to be used to pay principal or interest on the Bonds on the next available Bond Payment Date.

**Section 4.04. Establishment, Payments into and Custody of the Repair and Replacement Fund; Disbursements from Repair and Replacement Fund.** The Repair and Replacement Fund shall be established with the Trustee. Pursuant to Section 4.12 of the Financing Agreement, there shall be deposited into the Repair and Replacement Fund as and when received: (a) all payments pursuant to the Financing Agreement; and (b) all other moneys deposited into the Repair and Replacement Fund pursuant this Indenture. There shall also be retained in the Repair and Replacement Fund, interest and other income received on investment of moneys in the Repair and Replacement Fund to the extent provided in Section 4.07 hereof. Any amounts on deposit in the Repair and Replacement Fund in excess of the Repair and Replacement Fund Requirement shall be transferred by the Trustee to the Academy; provided, however, that the amount remaining in the Repair and Replacement Fund immediately after such transfer shall not be less than the Repair and Replacement Fund Requirement. Bondholders shall have no rights in or claims to money held in the Repair and Replacement Fund.

The Repair and Replacement Fund shall be in the custody of the Trustee, but in the name of the Academy. Absent an Event of Default hereunder, the Academy hereby authorizes and directs the Trustee to make each disbursement authorized or required by the provisions of this



Section 4.04 and to issue its checks therefor. The Trustee shall keep and maintain accurate records pertaining to the Repair and Replacement Fund and all disbursements therefrom and shall annually file an accounting thereof with the Academy.

Payments shall be made from the Repair and Replacement Fund upon receipt by the Trustee of a written requisition from an authorized representative of the Academy setting forth the amount and the payee for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the Facilities in sound condition, including but not limited to replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment, architectural, engineering, legal and other professional services and other costs reasonably necessary and incidental thereto. The Trustee shall rely fully on any such requisition delivered pursuant to this Section and shall not be required to make any investigation in connection therewith and shall have no duty or obligation to confirm that such requested disbursements are for a permitted purpose.

**Section 4.05. Deposit of Bond Proceeds.** The net proceeds from the sale of the Series 2024 Bonds, after provision is made for: (a) any payments to the Revenue Account of the Bond Fund under Section 4.01; (b) the transfer to accomplish the Refunding under Section 2.02; and (c) payments to the Reserve Fund under Section 4.02, shall be deposited into the Project Fund.

**Section 4.06. Account Statements.** The Trustee shall keep and maintain accurate account statements, including receipts and statements of disbursements, deposits and investments, pertaining to the Project Fund, Bond Fund, Repair and Replacement Fund and Reserve Fund. The Trustee shall provide monthly transaction and asset statements pertaining to such Funds to the Academy and to the Authority. Although the Academy recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Academy hereby agrees that confirmations of Eligible Investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

**Section 4.07. Investment of Fund Moneys.** Moneys held as part of the Project Fund, Bond Fund, the Repair and Replacement Fund, and the Academy Funded Reserve Account of the Reserve Fund shall be invested and reinvested at the written direction of the Academy in Eligible Investments in accordance with the provisions of this Indenture and the Financing Agreement. Moneys held as part of the Authority Funded Reserve Account of the Reserve Fund shall be invested and reinvested at the written direction of the Authority in Eligible Investments in accordance with the provisions of this Indenture and the Financing Agreement. The Trustee may conclusively rely upon such instructions as to the suitability of the directed investments and such written directions shall be deemed to be certifications that such directed investments constitute Eligible Investments. In the absence of investment instructions, the Trustee shall hold the moneys in the accounts uninvested in cash, with no liability for interest. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including cash sweep account fees. Any Eligible Investments shall be held by or under the control of the Trustee and shall be

deemed at all times a part of the fund and account which was used to purchase the same. All interest accruing thereon and any profit realized from Eligible Investments shall be credited to the respective fund or account and any loss resulting from Eligible Investments shall be similarly charged. The Trustee is authorized to cause to be sold and reduced to cash a sufficient amount of Eligible Investments whenever the cash balance is or will be insufficient to make a requested or required disbursement from the applicable Fund. The Trustee shall have no liability whatsoever for any loss, fee, tax or other change incurred in connection with any investment, reinvestment, sale or liquidation of an investment hereunder.

The Trustee may elect, but shall not be obligated, to credit the funds and accounts held by it with the moneys representing income or principal payments due on, or sales proceed due in respect of, Eligible Investments in such funds and accounts, or to credit to Eligible Investments intended to be purchased with such moneys, in each case before actually receiving the requisite moneys from the payment source, or to otherwise advance funds for account transactions. By their execution of the Financing Agreement, the Academy and the Authority acknowledge that the legal obligation to pay the purchase price of Eligible Investments arises immediately at the time of the purchase. Notwithstanding anything else in this Indenture or the Financing Agreement, (i) any such crediting of funds or assets shall be provisional in nature, and the Trustee shall be authorized to reverse any such transactions or advances of funds in the event that it does not receive good funds with respect thereto, and (ii) nothing in this Indenture shall constitute a waiver of any of the Trustee's rights as a securities intermediary under Uniform Commercial Code § 9-206.

**Section 4.08. Arbitrage.** Investment of funds pursuant to this Indenture shall be limited as to amount and yield of investment in such manner that no part of the Outstanding Bonds shall be deemed "arbitrage bonds" under the Code and regulations thereunder; provided that the Trustee has no duty to monitor the yield on any directed investment or any obligation to limit the yield on any investment the Academy or the Authority directs the Trustee to make. The Authority recognizes that investment of the Bond proceeds will be at the written direction of the Academy, but agrees that it will commit no act that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. The Trustee covenants that, while recognizing that investment of Bond proceeds will be at the written direction of the Academy, should the Authority file with the Trustee an opinion of Bond Counsel, to the effect that any proposed investment or other use of proceeds of the Bonds would cause the Bonds to become "arbitrage bonds", then the Trustee will comply with any specific instructions of the Authority or such Bond Counsel regarding such investment or use so as to prevent the Bonds from becoming "arbitrage bonds". The Trustee shall deliver a copy of any such opinion of Bond Counsel with the Authority and the Academy.

**Section 4.09. Repayment to the Academy from the Funds.** Any amounts remaining in the Project Fund, Bond Fund, Repair and Replacement Fund and Academy Funded Reserve Account of the Reserve Fund after payment in full of the Bonds, the fees and expenses and other costs specified in ARTICLE V of the Financing Agreement, and all other amounts required to be paid under the Financing Agreement or this Indenture, shall be paid to the Academy upon full payment of the Financing Agreement.

**Section 4.10. Repayment to the Authority from the Reserve Fund.** Any amounts remaining in the Authority Funded Reserve Account of the Reserve Fund after payment in full of the Bonds, the fees and expenses and other costs specified in ARTICLE V of the Financing Agreement, and all other amounts required to be paid under the Financing Agreement or this Indenture, shall be paid to the Authority upon discharge of this Indenture in accordance with ARTICLE V below.

**ARTICLE V**  
**DISCHARGE OF LIEN**

**Section 5.01. Discharge of Lien and Security Interest.** Subject to the next paragraph, upon payment in full of the Bonds, the lien of this Indenture upon the Security shall cease, terminate and be void, and thereupon the Trustee, upon determining that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, and upon payment of the Trustee's fees, costs and expenses hereunder, shall: (a) cancel and discharge this Indenture and the security interests; (b) execute and deliver to the Authority and the Academy such instruments in writing as shall be required to cancel and discharge this Indenture and the security interests; (c) reconvey to the Authority all amounts in the Authority Funded Reserve Account of the Reserve Fund and reconvey such other Security, as applicable, to the Authority and the Academy; and (d) assign and deliver to the Authority all amounts in the Authority Funded Reserve Account of the Reserve Fund and assign and deliver to the Authority and the Academy so much of the Security as may be in its possession or subject to its control, except for moneys and Government Obligations held in the Bond Fund for the purpose of paying Bonds; provided, however, such cancellation and discharge of this Indenture shall not terminate the powers and rights granted to the Trustee with respect to the payment, transfer and exchange of the Bonds; and provided, further, that the rights of the Authority and the Trustee to indemnity and payment of all reasonable fees and expenses shall survive.

If payment or provision therefor has been made with respect to all the Bonds, the interest of the Trustee in the Financing Agreement and the Municipal Obligation shall cease and the Trustee shall cancel the Financing Agreement and the Municipal Obligation and return the same to the Academy. Neither the obligations nor moneys deposited with the Trustee pursuant to this ARTICLE V shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust, for the payment of the principal, redemption premium, if any, and interest on the Bonds in accordance with the terms of this Indenture.

**Section 5.02. Provision for Payment of Bonds.** Bonds shall be deemed to have been paid within the meaning of Section 5.01 if:

(a) there have been irrevocably deposited in the Bond Fund either cash or noncallable Government Obligations, of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon (such earnings to be held in trust also), be sufficient, for the payment at their respective maturities or redemption dates prior to maturity, of the principal thereof and the

redemption premium (if any) and interest to accrue thereon to such maturity or redemption dates, as the case may be;

(b) there have been paid all fees, costs and expenses of the Authority and the Trustee then due or to become due or there are sufficient moneys in the Bond Fund to make such payments;

(c) if any Bonds are to be redeemed on any date prior to their maturity, the Trustee has received in form satisfactory to it irrevocable instructions to redeem such Bonds on such date and either evidence satisfactory to the Trustee that all redemption notices required by this Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices; and

(d) the Trustee shall have received a written opinion of Bond Counsel to the effect that such deposit (and the payment of the Bonds therefrom) will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

In determining the sufficiency of the moneys and/or Government Obligations deposited pursuant to subsection (a) of this Section 5.02, the Trustee shall be entitled to receive, at the expense of the Academy, and may rely on a verification report of a firm of nationally recognized independent certified public accountants selected by the Academy.

Limitations elsewhere specified herein regarding the investment of moneys held by the Trustee in the Bond Fund shall not be construed to prevent the depositing and holding in the Bond Fund of the obligations described in the preceding subparagraph (a) for the purpose of defeasing the lien of this Indenture as to Bonds which have not yet become due and payable. In addition, all moneys so deposited with the Trustee as provided in this Section 5.02 may also be invested and reinvested, at the written direction of the Academy, in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the Trustee pursuant to this Section 5.02 which is not required for the payment of the Bonds and interest and redemption premium, if any, thereon with respect to which such moneys shall have been so deposited under this Section 5.02 shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in the Bond Fund.

**Section 5.03. Discharge of this Indenture.** Notwithstanding the discharge and cancellation of the lien of this Indenture upon the Security under Section 5.01, this Indenture and the rights granted and duties imposed hereby, to the extent not inconsistent with such discharge and cancellation of the lien upon the Security, shall nevertheless continue and subsist after payment in full of the Bonds until the Trustee shall have returned to the Academy and/or the Authority all funds held by the Trustee in the Bond Fund, Project Fund, Repair and Replacement Fund and Reserve Fund pursuant to Sections 4.09 and 4.10 of this Indenture.

**Section 5.04. Unclaimed Moneys.** Any moneys deposited with the Trustee in accordance with the terms and provisions of this Indenture, or any moneys held by any paying agent, in trust for the payment of the principal of and redemption premium, if any, or interest on the Bonds and remaining unclaimed by the Registered Owners of the Bonds for five years after the final maturity

of all Bonds issued hereunder or the redemption date of all the Bonds, as the case may be, shall be applied by the Trustee in accordance with the Uniform Unclaimed Property Act, Act. No. 29, Public Acts of Michigan, 1995, as amended from time to time. The Authority and the Trustee shall have no responsibility with respect to such moneys.

## ARTICLE VI

### DEFAULT PROVISIONS AND REMEDIES

**Section 6.01. Events of Default.** Any one of the following shall constitute an Event of Default hereunder:

- (a) Default in the payment of any interest on any Bond when and as the same is due;
- (b) Default in the payment of the principal of or any premium on any Bond when and as the same is due, whether at the stated maturity or redemption date thereof or by acceleration;
- (c) Default in the observance or performance of any other of the covenants, agreements or conditions on the part of the Authority included in this Indenture or in the Bonds and the continuance thereof for a period of thirty (30) days after the Trustee or the holders of not less than 51% in principal amount of the Bonds gives written notice to the Authority and the Academy; or
- (d) The occurrence of an "Event of Default" as defined in the Financing Agreement or the Mortgage.

No default specified in (c) above shall constitute an Event of Default unless the Authority or the Academy shall have failed to correct such Default within the applicable period; provided, however, if such Default is such that it cannot be cured within such 30 day period, it shall not constitute an Event of Default if the Default is correctable and if corrective action is instituted within such 30 day period and diligently pursued until the Default is corrected, but in no event shall the period allowed for correction exceed one hundred twenty (120) days, and if the Authority or the Academy shall within the applicable period furnish to the Trustee a certificate certifying that such Default is such that it can be corrected but not within the applicable period and that corrective action capable of remedying such default has been instituted and is being diligently pursued and will be diligently pursued and will be corrected within one hundred twenty (120) days. The Authority or the Academy shall notify the Trustee when such default has been corrected. The Trustee shall be entitled to conclusively rely upon any such certificate given pursuant to this Section.

**Section 6.02. Acceleration.** Upon the occurrence of any Event of Default hereunder, the Trustee may and upon: (a) the written request of the Bondholders of not less than twenty-five percent in aggregate principal amount of Bonds then Outstanding, provided that such requesting Bondholders have offered indemnity to the Trustee, to its sole satisfaction, pursuant to Section 7.01 of this Indenture, and that the Trustee has received no conflicting direction from the majority of Bondholders pursuant to Sections 6.03 and 6.04 of this Indenture; or (b) the occurrence of an Event of Default under subsection (a) or (b) of Section 6.01 hereof, the Trustee shall immediately, by notice in writing sent to the Authority, declare the principal of and any premium on all Bonds

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

37

then Outstanding (if not then due and payable) and the interest accrued thereon to be due and payable immediately, and, upon such declaration, such principal and premium, if any, and interest shall become and be immediately due and payable. Interest on the Bonds shall cease to accrue on the date of such declaration. Upon any declaration of acceleration hereunder, the Trustee shall immediately exercise such rights as it may have under the Financing Agreement to declare all payments thereunder to be immediately due and payable, to the extent it has not already done so.

Immediately following any such declaration of acceleration, the Trustee shall mail notice of such declaration by first class mail to each Holder of Bonds at his last address appearing on the Bond Register. Any defect in or failure to give such notice of such declaration shall not affect the validity of such declaration.

**Section 6.03. Other Remedies; Rights of Bondholders.** Upon the happening and continuance of an Event of Default hereunder the Trustee may, with or without taking action under Section 6.02 hereof, pursue any available remedy to enforce the performance of or compliance with any other obligation or requirement of this Indenture or the Financing Agreement, the Mortgage or any other security provided by the Academy.

Subject to Section 6.02 hereof, upon the happening and continuance of an Event of Default, and if requested to do so by the holders of at least fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding and the Trustee is indemnified as provided in Section 7.01 hereof, the Trustee shall exercise such of the rights and powers conferred by this Section and by Section 6.02 hereof as the Trustee, being advised by Counsel, shall deem most effective to enforce and protect the interests of the Bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

The Trustee, as the assignee of all right, title and interest of the Authority in and to the Financing Agreement (with the exception of the Unassigned Rights), shall be empowered to enforce each and every right granted to the Authority under the Financing Agreement (with the exception of the Unassigned Rights).

In addition to and without limitation of the foregoing, the Trustee shall not otherwise be obligated to acquire possession of or take any other action with respect to the property subject to

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

38

the Mortgage (the “Mortgaged Property”), if as a result of any such action, the Trustee would be considered to hold title to, to be a “mortgagee-in-possession of”, or to be an “owner” or “operator” of the Mortgaged Property within the meaning of the Comprehensive Environmental Responsibility Cleanup and Liability Act of 1980, as amended from time to time, unless the Trustee has previously determined, based on a report prepared by a person who regularly conducts environmental audits, that:

(a) the Mortgaged Property is in compliance with applicable environmental laws or, if not, that it would be in the best interest of the owners of the Bonds to take such actions as are necessary for the Mortgaged Property to comply therewith; and

(b) there are not circumstances present at the Mortgaged Property relating to the use, management or disposal of any hazardous wastes for which investigation, testing, monitoring, containment, clean-up or remediation could be required under any federal, state or local law or regulation, or that if any such materials are present for which such action could be required, that it would be in the best economic interest of the owners of the Bonds to take such actions with respect to the Mortgaged Property.

The environmental audit report contemplated hereby shall not be prepared by an employee or affiliate of the Trustee, but shall be prepared by a person who regularly conducts environmental audits for purchasers of commercial property, as determined (and, if applicable, selected) by the Trustee, and the cost hereof shall be borne by the Academy or the Bondholders but in no event by the Authority.

Notwithstanding anything contained herein or in the Mortgage to the contrary, before taking any action under this Section 6.03, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished to it for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, demands, damages, losses, penalties, fines, fees, costs, liabilities (including strict liability) and expenses which may result from such action. If the Trustee determines that the taking of title or possession of all or any portion of the Facilities will expose the Trustee to claims or damages resulting from environmental or ecological conditions in any way relating to the Facilities or any activities at the Facilities, the Trustee may decline to take title to or possession of the Facilities.

**Section 6.04. Right of Bondholders to Direct Proceedings.** If a Default occurs of which the Trustee is by reason of Section 7.01(j) deemed to have notice, then the Trustee within forty-five (45) days after the occurrence thereof (unless such Default shall have been cured or waived) shall give notice of such Default to the registered holders of the Outstanding Bonds at the address then shown on the Bond Register. The holders of no less than 51% of the principal amount of Bonds then Outstanding may by written instrument filed with the Trustee: (a) notify the Trustee, the Authority and the Academy of the existence of a Default or Event of Default, upon which notice the Trustee shall be conclusively presumed to have such notice; (b) request the Trustee to give written notice of a Default or Event of Default to the Academy and the Authority or give such notice themselves under the provisions of Section 6.01; (c) as to any Event of Default, request the

Trustee to exercise any of the remedies under Section 6.02, upon which request, subject to right of indemnification, the Trustee shall exercise such remedy; (d) as to any Event of Default, direct the method and place of conducting all proceedings to be taken in connection with the exercise of any remedy; (e) request the waiver of any Event of Default and rescission of the declaration of maturity of principal or termination of any proceedings in connection with the exercise of any remedies; provided, however that there shall be no such waiver, rescission or termination unless all arrears of principal and interest on the Bonds, together with interest thereon (to the extent permitted by law) at the applicable rate of interest borne by the Bonds and all fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel, in connection with such Event of Default shall have been paid or provided for; and (f) request the Trustee to intervene in any judicial proceeding to which the Authority or the Academy is a party which may have substantial bearing on the interests of holders of the Bonds, and subject to right of indemnification, the Trustee shall so intervene, subject to the approval of a court exercising jurisdiction.

Without limitation of the foregoing, any such proceedings referenced in clause (d) above may include forbearance or non-action on the part of the Trustee, the acceptance by the Trustee, as mortgagee under the Mortgage, of a deed in lieu of foreclosure, the sale of the property covered by the Mortgage free of the lien thereof for an amount less than the amounts due with respect to the Bonds and the cancellation of the Bonds in full on behalf of the holders thereof, and the waiver or release of claims or the granting of a covenant not to sue.

The Trustee is hereby authorized and directed, on behalf of the holders of the Bonds, to file a proof or proofs of claim in any bankruptcy, receivership or other insolvency proceeding involving the Academy.

In the event the holders of not less than 51% of the principal amount of Bonds then Outstanding shall direct the Trustee to exercise one or more of the foregoing rights or one or more of the remedies upon an Event of Default herein authorized and shall reasonably indemnify the Trustee for all costs and expenses in the exercise of said rights and remedies as provided in Section 7.01(h) and the Trustee shall fail to take such designated action as directed within 30 days after receiving written notice of the same and being so indemnified, such Bondholders shall have the right to exercise any and all of the rights and remedies herein authorized in the same manner as if the same had been instituted by the Trustee.

Bondholders shall have the right to bring individual action only to enforce payment of the principal of and interest on the Bonds of the respective holders thereof at the respective due dates thereof, but only if the Trustee has not taken similar action.

No Bondholder shall have the right to institute any proceeding for the enforcement of this Indenture unless such Bondholder has given the Trustee and the Academy written notice of an Event of Default, the holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have requested the Trustee in writing to institute such proceeding, the Trustee shall have been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, and there shall have been offered to the Trustee indemnity and the Trustee shall have thereafter failed or refused to exercise such powers or to institute such proceeding within a

reasonable time. Nothing in this Indenture shall affect or impair any right of enforcement conferred on any Bondholder hereof by the Enabling Legislation to enforce (i) the payment of the principal of and redemption premium (if any) and interest on Bonds at and after the maturity thereof, or (ii) the obligation of the Authority to pay the principal of and redemption premium (if any) and interest on Bonds to such Bondholder at the time, place, from the source and in the manner as provided in this Indenture.

**Section 6.05. Discontinuance of Default Proceedings.** In case the Trustee has proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case the Authority and the Trustee shall be restored to their former positions and rights hereunder and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken subject to the limits of any adverse determination.

**Section 6.06. Waiver.** With the written consent of the holders of not less than 51% of the principal amount of the Bonds then Outstanding, the Trustee may waive any Default or Event of Default hereunder and its consequences and rescind any declaration of maturity of principal provided there shall have been deposited with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to the occurrence of such Event of Default and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal at the rate borne by the respective Bonds, and the reasonable fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel, and any and all other Defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor or otherwise waived by such Bondholders. In case of any such waiver or rescission, the Authority, the Academy, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to or affect any subsequent or other Default or Event of Default, or impair any right consequent thereon.

No delay or omission to exercise any power accruing upon Default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

**Section 6.07. Application of Moneys.**

(a) During the continuance of an Event of Default, the Trustee shall apply funds in the Reserve Fund in accordance with Section 4.02 above to the payment of costs, charges and expenses, including reasonable attorneys' fees arising from the Event of Default, and all other current outstanding fees and expenses of the Trustee.

(b) All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this ARTICLE VI shall be deposited in the Bond Fund. After payment

of: (a) the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities, and advances incurred or made by the Trustee and the creation of a reserve for anticipated fees, costs and expenses, including reasonable attorneys' fees, and all other current outstanding fees and expenses of the Trustee; and (b) any sums due to the Authority under the Financing Agreement (other than Academy Repayments), such moneys shall be applied in the order set forth below:

(i) Unless the principal on all Bonds shall have become or been declared due and payable, all such money shall be applied:

First – To the payment of all installments of interest then due on the Bonds in order of maturity of such installments of interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the ratable payment of the amounts due on such installment;

Second – To the payment of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due (at the rate borne by the Bonds, to the extent permitted by law) and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the ratable payment of the amounts due on such date; and

Third – To the payment of any bond servicing costs as the Trustee may be directed in writing by an Authorized Officer of the Authority.

(ii) If principal of all the Bonds shall have become or been declared due and payable, all such moneys shall be applied to the payment of the interest and principal then due and unpaid upon the Bonds, with preference and priority to interest before principal according to amounts due for interest and principal to the persons entitled thereto.

(iii) If the principal on all Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded under this Article then, subject to paragraph (ii) of this Section in the event that the principal of all the Bonds shall later become or be declared due and payable, the moneys shall be applied in accordance with paragraph (i) of this Section 6.07.

Whenever moneys are to be applied pursuant to this Section 6.07, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application, the likelihood of additional moneys becoming available for such application in the future, and potential expenses relating to the exercise of any remedy or right conferred on the Trustee by this Indenture. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue.

## ARTICLE VII

### THE TRUSTEE

**Section 7.01. Appointment.** The Trustee is hereby appointed and does hereby agree to act in such capacity, and to perform the express duties of the Trustee under this Indenture, but only upon and subject to the following express terms and conditions (and no implied covenants or other obligations shall be read into this Indenture against the Trustee):

(a) The Trustee may execute any of its trusts or powers and perform any of its duties herein by or through attorneys, agents, receivers or employees, and shall be entitled to rely on advice of Counsel and other professionals concerning all matters of such trusts, powers and duties. The Trustee shall not be answerable for the default or misconduct of any attorney, agent, receiver or employee selected by it with reasonable care, and may in all cases pay such Persons reasonable compensation. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture or for anything whatsoever in connection with its trusts, powers and duties herein, except only for its negligence or willful misconduct.

(b) The Trustee shall not be responsible for any recital herein or in the Bonds (except with respect to the certificate of authentication of the Trustee endorsed on the Bonds), or for the validity of the execution by the Authority of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the Security for the Bonds. The Trustee shall have no obligation to perform any of the duties of the Authority under the Financing Agreement, and the Trustee shall not be liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 4.07 hereof. The Trustee shall have no duty or responsibility to examine or review and shall have no liability for the contents of any documents submitted to or delivered to any Bondholder in the nature of a preliminary or final placement memorandum, official statement, offering circular or similar disclosure document.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder after such Bonds shall have been delivered in accordance with instructions of the Authority or for the use by the Academy of the proceeds of the Municipal Obligation. The Trustee may become the owner of Bonds with the same rights as any other Bondholder.

(d) The Trustee shall be protected in acting upon opinions of counsel and upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document believed to be genuine and correct and to have been signed or sent by an authorized representative of such Person or Persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the owner of any Bond (such ownership to be established as provided in Section 2.08 hereof), shall be conclusive and binding upon all future owners or holders of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(e) The permissive right of the Trustee to do things enumerated in this Indenture or the Financing Agreement shall not be construed as duties. The Trustee shall only be responsible for

the performance of the duties expressly set forth herein and shall not be answerable for other than its negligence or willful misconduct in the performance of those express duties.

(f) The Trustee shall not be personally liable for any debts contracted or for damages to Persons or to personal property injured or damaged, or for salaries or non-fulfillment of contracts, relating to the Property.

(g) The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers or otherwise hereunder.

(h) Before taking any action requested hereunder, the Trustee may require that satisfactory security or indemnity be furnished to it for the reimbursement of all fees and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct by reason of any action so taken.

(i) All moneys received by the Trustee, until used or applied or invested as herein provided, shall be held as special trust funds for the purposes specified in this Indenture and for the benefit and security of the holders of the Bonds as herein provided. Such moneys need not be segregated from other funds except to the extent required by law or herein provided, and the Trustee shall not otherwise be under any liability for interest on any moneys received hereunder.

(j) The Trustee shall not be bound to ascertain or inquire as to the performance of the obligations of the Academy under the Financing Agreement or the Authority under this Indenture, and shall not be deemed to have, or required to take, notice of a Determination of Taxability or an Event of Default under this Indenture, except: (i) in the event the Academy fails to pay any Academy Repayment when due; (ii) in the event of an insufficient amount in the Bond Fund (or any account therein) to make a principal or interest payment on the Bonds; (iii) upon written notification actually received by a Responsible Officer the Trustee of a Determination of Taxability from the Academy, the Authority or the Holder of any Bonds; or (iv) upon written notification actually received by a Responsible Officer the Trustee of a default or Event of Default from the Authority, the Academy or the holders of not less than 25% of the principal amount of Outstanding Bonds. In the absence of such notice, the Trustee may conclusively presume there is no Determination of Taxability and no Event of Default except as aforesaid. The Trustee may nevertheless require the Authority and the Academy to furnish information regarding performance of their obligations under the Financing Agreement and this Indenture, but is not obligated to do so.

(k) The Trustee shall, prior to any Event of Default and after the curing of all Events of Default which may have occurred, perform such duties and only such duties of the Trustee as are specifically set forth in this Indenture and the Financing Agreement. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The foregoing shall not limit the Trustee's obligations under Section 6.02 hereof.

(l) In the event that the Trustee receives direction from Bondholders under any section of this Indenture which permits Bondholders to direct the actions of the Trustee, the Trustee shall only be required to act pursuant to the direction of the Bondholders which represent the largest percentage in aggregate principal amount of the Outstanding Bonds at the time such direction is issued to the Trustee (the “Majority Direction”). The Trustee may act pursuant to other directions of Bondholders to the extent that such direction is not inconsistent with the Majority Direction. The Trustee shall not be liable for a failure to act upon any direction except the Majority Direction when acting pursuant to this Section 7.01(l). Nothing in this Section 7.01(l) shall be construed to modify or amend any section hereof which requires a minimum number of Bondholders to direct the Trustee to take certain action before the taking of such action by the Trustee becomes mandatory.

(m) Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

(n) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture or the Financing Agreement sent by Electronic Means; provided, however, that the Academy shall provide to the Trustee an incumbency certificate listing Authorized Officers with the authority to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Academy elects to give the Trustee instructions by Electronic Means and the Trustee in its discretion elects to act upon such instructions, the Trustee’s understanding of such instructions shall be deemed controlling. The Academy agrees that the Trustee cannot determine the identity of the actual sender of instructions delivered by Electronic Means and that the Trustee shall conclusively presume that instructions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such person. The Academy shall be responsible for ensuring that only its Authorized Officers transmit such instructions to the Trustee, and the Academy and the Authorized Officers are responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and authentication keys provided by the Trustee, if any. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with instructions delivered by Electronic Means notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Academy agrees to assume all risks arising out of the use of Electronic Means to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(o) Delivery to the Trustee of any financial information, consultant’s reports or other information pursuant to the terms of this Indenture or Section 7.03 of the Financing Agreement is for safe-keeping purposes only. The Trustee has no obligation to review or analyze such information, and the Trustee’s receipt of such information shall not constitute constructive or actual notice of any information contained therein or determinable from information contained therein. The Trustee may provide copies thereof to Bondholders that request such information.

(p) The Trustee shall be under no responsibility to approve or evaluate any expert or other skilled person selected by the Academy or the Authority for any of the purposes expressed in this Indenture or the Financing Agreement.

(q) The Trustee is not required to inspect the Project or the construction work or to monitor or ascertain the progress of construction of the Project. The Trustee shall have no duty or obligation to review or approve any plans and specifications or any construction contract for the Project, or any changes to any such plans, specifications or contracts. The Trustee is not required to obtain completion bonds, lien releases or otherwise supervise the acquisition, construction, renovation, equipping, improvement and installation of the Project.

**Section 7.02. Fees, Expenses.** The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its ordinary services rendered hereunder and all advances, counsel fees and other ordinary expenses reasonably made or incurred by the Trustee in connection with such ordinary services. If it becomes necessary that the Trustee perform extraordinary services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable extraordinary expenses in connection therewith; provided, that if such extraordinary services or extraordinary expenses are occasioned by the negligence or willful misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefor.

The Trustee shall also be indemnified by the Academy as provided in the Financing Agreement. The Trustee recognizes that all fees, charges and other compensations to which it may be entitled under this Indenture are required to be paid by the Academy under the terms of the Financing Agreement or from funds derived from the proceeds of the Bonds. Accordingly, the Trustee agrees that except for moneys that the Authority may derive from the foregoing (excluding, however, the moneys for the issuance fee, administrative costs, taxes and other public service charges and indemnity under the Financing Agreement) the Authority shall not be liable for any such fees, charges and other compensation to which the Trustee may be entitled. Payment of all such amounts shall however, be secured by the Security as set forth herein.

As security for the payment of the Trustee’s fees, costs and expenses and for the indemnity provided in this Section 7.02, the Trustee shall have a first lien on all moneys and property coming into its possession.

When the Trustee incurs expenses or renders services after the occurrence of an act of bankruptcy with respect to the Authority or the Academy, the expenses and the compensation for the services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

The Academy’s payment obligations under this Section 7.02 shall survive the discharge of this Indenture and the resignation or removal of the Trustee, and shall not be limited by any law affecting the compensation of a trustee of an express trust.

**Section 7.03. Intervention in Litigation.** In any judicial proceeding to which the Authority or the Academy is a party, and which, in the opinion of the Trustee and its counsel, has

a substantial bearing on the interests of the holders of the Outstanding Bonds, the Trustee may intervene on behalf of the owners of the Bonds and shall do so if requested in writing by the holders of at least 25% in aggregate principal amount of the Bonds then Outstanding, and when provided with sufficient indemnity pursuant to Section 7.01(h) hereof.

**Section 7.04. Resignation; Appointment of Successor Trustee; Successor Trustee Upon Merger, Consolidation or Sale.**

(a) The Trustee and any successor Trustee may resign only upon giving 30 days' prior written notice to the Authority, the Academy and the Bondholders. Such resignation shall take effect only upon the appointment of a successor Trustee as described in Section 7.04(b) below and the acceptance of such appointment by the successor Trustee. Upon appointment of a successor Trustee, the resigning Trustee shall, after payment of its fees, costs and expenses, assign all of its right, title and interest in the Security, and transfer and assign its right, title and interest in this Indenture to the successor Trustee. The successor Trustee shall meet the requirements of Section 7.04(b) below and shall accept in writing its duties and responsibilities hereunder and file such acceptance with the Authority and the Academy.

(b) In case the Trustee shall give notice of resignation or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public office or offices, or of a receiver appointed by a court, a successor may with the prior written consent of the Academy (to the extent that no "Event of Default" shall have occurred and be continuing under the Financing Agreement), be appointed by the owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their duly authorized attorneys in fact, a copy of which shall be delivered personally or sent by first class mail, postage prepaid, to the Authority, the retiring Trustee, the successor Trustee and the Academy. In the absence of an appointment by the Bondholders, the Authority may, with the consent of the Academy (to the extent that no "Event of Default" shall have occurred and be continuing under the Financing Agreement), appoint a successor Trustee, by an instrument in writing signed by an Authorized Officer of the Authority, a copy of which shall be delivered personally or sent by first class mail, postage prepaid, to the retiring Trustee, the successor Trustee and the Academy. If the Registered Owners and the Authority fail to so appoint a successor Trustee, hereunder within sixty (60) days after the Trustee has given notice of its resignation, has been removed, has been dissolved, has otherwise become incapable of acting hereunder or has been taken under control by a public officer or receiver, the Trustee shall have the right to petition a court of competent jurisdiction to appoint a successor hereunder. The costs of any such proceeding shall be borne by the Academy. Every such Trustee appointed pursuant to the provisions of this Section 7.04 shall (i) at all times be a bank having trust powers or a trust company; (ii) at all times be organized and doing business under the laws of the United States of America or of any state; (iii) have, or be owned by an entity having, a combined capital and surplus of at least \$50,000,000; (iv) be authorized under such laws to exercise corporate trust powers; and (v) be subject to supervision or examination by federal or state authority.

(c) Any corporation or association into which the Trustee may be merged or converted or with or into which it may be consolidated, or to which it may sell or transfer its municipal corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which it is a party, provided such company shall be eligible under Section 7.04(b) hereof, shall be and become successor Trustee hereunder and shall be vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereunder as was its predecessor, without the execution or filing of any instrument or any further act on the part of any of the parties hereto.

**Section 7.05. Removal of Trustee.** The Trustee may be removed at any time upon 30 days' written notice by an instrument or concurrent instruments in writing (a) delivered to the Trustee, the Authority and the Academy and signed by the owners of a majority in aggregate principal amount of Bonds then Outstanding, or (b) delivered to the Trustee and the Authority and signed by the Academy; provided that if an Event of Default has occurred and is continuing hereunder, the Trustee may not be removed without the consent of the holders of a majority in aggregate principal amount of the Bonds then Outstanding. No removal of the Trustee and no appointment of a successor Trustee shall become effective until the successor Trustee has accepted its appointment in the manner provided in Section 7.04 hereof. Upon such removal and the payment of its fees, costs and expenses, the Trustee shall assign to the successor Trustee all of its right, title and interest in the Security in the same manner as provided in Section 7.04 hereof.

**Section 7.06. Instruments of Bondholders.** Any instrument required by this Indenture to be executed by Bondholders may be in any number of writings of similar tenor and may be executed by Bondholders in person or by an agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent shall be sufficient for any of the purposes of this Indenture if it is established by a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof. Proof of the ownership of Bonds shall be established by the ownership records noted in the Bond Register.

The Trustee may rely on such an instrument of Bondholders unless and until the Trustee receives notice in the form specified above that the original of such instrument is no longer trustworthy. In the event that the Trustee receives conflicting directions from two groups of Bondholders, each with combined holdings of not less than 25% of the principal amount of Outstanding Bonds, the directions given by the group of Bondholders which hold the largest percentage of Bonds shall be controlling and the Trustee shall follow such directions as required in this Indenture.

**Section 7.07. Appointment of Separate or Co-Trustee.** It is the intent of the parties to this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the rights of banking corporations or associations to transact business as a trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Financing Agreement, and in particular in the case of the enforcement of this Indenture on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the



Trustee, or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section 7.07 are adapted to these ends.

If the Trustee appoints an additional individual or institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, duty, obligation, title, interest and lien expressed or intended by this Indenture to be exercised by, vested in or conveyed to the Trustee with respect thereto shall be exercisable by, vested in and conveyed to such separate trustee or co-trustee, but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary for the exercise thereby by such separate trustee or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully vesting in and confirming to them such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. If any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting or not be qualified to act, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a successor to such separate trustee or co-trustee.

## ARTICLE VIII

### AMENDMENTS, SUPPLEMENTAL INDENTURES

**Section 8.01. Supplemental Indentures.** The Authority and the Trustee without the consent of or notice to any Bondholders, may enter into an indenture or indentures supplemental to this Indenture and not inconsistent herewith for one or more of the following purposes:

(a) To cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture which do not materially adversely affect the interest of the Bondholders;

(b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(c) To grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under this Indenture;

(d) To modify, amend or supplement this Indenture or any supplemental indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
49

similar federal statute then in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States;

(e) To appoint a successor Trustee, separate trustees or co-trustees in the manner provided in ARTICLE VII ;

(f) To comply with the provisions of this Indenture pertaining to supplemental indentures in connection with the issuance of Additional Bonds;

(g) To maintain the exclusion of interest on the Bonds from gross income for federal or State income tax purposes;

(h) To make any other change which the Authority determines, in reliance on an opinion of Counsel, will not have a material adverse effect on Bondholders; or

(i) To accomplish, implement, or give effect to any other action which is authorized or required by the Financing Agreement or this Indenture.

No such supplemental indenture shall become effective unless the Trustee shall have obtained an opinion of Bond Counsel to the effect that any such supplemental indenture will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2024 Bonds and that such amendment is permitted hereunder. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Trustee's own rights, duties or immunities. A copy of all such supplemental indentures shall be promptly furnished to the Academy.

**Section 8.02. Amendments to Indenture; Consent of Bondholders and the Academy.** Exclusive of supplemental indentures covered by Section 8.01 hereof and subject to the terms and provisions contained in this Section 8.02, and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding and affected by such indenture or indentures supplemental hereto shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and direct the execution by the Trustee of such other indenture or indentures supplemental hereto as shall be consented to by the Authority, which consent shall not be unreasonably withheld, for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Article shall permit, or be construed as permitting: (a) without the consent of the holders of 66 and 2/3% of the principal amount of the Bonds then Outstanding (i) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Bond, or (ii) a reduction in the principal amount of, or the premium or the rate of interest on, or redemption provisions with respect to, any Bond, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) the creation of a lien prior to the lien of this Indenture, (v) a reduction in the aggregate principal amount of the Bonds required for consent to any supplemental indenture: or (b) a modification or change in the duties of the Trustee hereunder without the consent of the Trustee.

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
50

The giving of notice to and consent of the Bondholders to any such proposed supplemental indenture shall be obtained pursuant to Section 8.05 hereof.

Anything herein to the contrary notwithstanding, a supplemental indenture, amendment or other document described under this ARTICLE VIII which affects any rights or obligations of the Academy shall not become effective unless and until the Academy consents to the execution of such supplemental indenture, amendment or other document.

**Section 8.03. Amendments to Financing Agreement Not Requiring Consent of Bondholders.** The Authority and the Academy may with the consent of the Trustee but without the consent of or notice to any of the Bondholders, enter into or permit any amendment of the Financing Agreement acceptable to the Academy as may be required (i) to cure any ambiguity or formal defect or omission which shall not adversely affect the interest of the Bondholders; (ii) to grant or pledge to the Authority or Trustee, for the benefit of the Bondholders, any additional security, acting in reliance on the opinion of counsel; or (iii) in connection with any other change therein which, is not materially adverse to the Trustee or the Bondholders. The Trustee may request an opinion of Bond Counsel to the effect that any such amendment to the Financing Agreement will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2024 Bonds and that such amendment is permitted hereunder this Section 8.03.

Copies of any such amendments to the Financing Agreement shall be filed with the Trustee.

**Section 8.04. Amendments to Financing Agreement Requiring Consent of Bondholders.** Except as provided in Section 8.03 hereof, the Authority shall not enter into, and the Trustee shall not consent to, any other modification or amendment of the Financing Agreement, nor shall any such modification or amendment become effective, without the consent of the Holders of 66 2/3% of the aggregate principal amount of the Bonds at the time Outstanding, such consent to be obtained in accordance with Section 8.05 hereof. No such amendment may, without the consent of the Holders of 66 2/3% of the Outstanding Bonds adversely affected, reduce the amounts or delay the times of payment of Academy Repayments under the Financing Agreement.

Copies of any such amendments to the Financing Agreement shall be filed with the Trustee.

**Section 8.05. Notice to and Consent of Bondholders.** If consent of the Bondholders is required under the terms of this Indenture for the amendment of this Indenture or the Financing Agreement for any other similar purpose, the Trustee shall cause notice of the proposed execution of the amendment or supplemental indenture to be given by first class mail to the last known holders of the Outstanding Bonds then shown on the Bond Register. Such notice shall be prepared by the Authority or the Academy, shall briefly set forth the nature of the proposed amendment, supplemental indenture or other action and shall state that copies of any such amendment, supplemental indenture or other document are on file at the designated corporate trust office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the Trustee following the mailing of such notice the holders of a majority or all, as the case may be, of the principal amount of the Bonds Outstanding by instruments filed with the

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
51

Trustee shall have consented to the amendment, supplemental indenture or other proposed action, then the Trustee may execute such amendment, supplemental indenture or other document or take such proposed action and the consent of the Bondholders shall thereby be conclusively presumed.

## ARTICLE IX MISCELLANEOUS

**Section 9.01. Limitation of Rights.** With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, the Bondholders and the Academy any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions herein being intended to be and being for the sole and exclusive benefit of the parties hereto, the Bondholders and the Academy as herein provided.

**Section 9.02. Severability.** If any provision of this Indenture is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other part or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

The invalidity of any one or more phrases, sentences, clauses or Sections of this Indenture contained, shall not affect the remaining portions of this Indenture, or any part thereof.

**Section 9.03. Notices.** Except as otherwise provided herein, all notices, certificates, or other communications hereunder shall be in writing and shall be deemed given upon receipt, by hand delivery, mail, overnight delivery, teletype or other Electronic Means addressed as follows:

If to the Authority: Michigan Finance Authority  
Richard H. Austin State Office Building, 1st Floor  
430 W. Allegan  
Lansing, MI 48922  
Tel: (517) 335-0994  
Fax: (517) 241-9509

If to the Academy: Huron Academy  
36301 Utica Road  
Clinton Township, Michigan, MI 48035  
Attn: President, Board of Directors  
Tel: (586) 690-8180

If to the Trustee: U.S. Bank Trust Company, National Association  
ATTN: Global Corporate Trust  
EP-MN-WS3C

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
52

111 Filmore Ave. E  
St. Paul MN 55107  
Tel: (651) 466-6307  
Fax: (651) 466-7429

All notices, approvals, consents, requests and any communications to the Trustee hereunder must be in writing in English and must be in the form of a document that is signed manually or by way of an electronic signature (including electronic images of handwritten signatures and digital signatures provided by DocuSign, Orbit, Adobe Sign or any other electronic signature provider acceptable to the Trustee). Electronic signatures believed by the Trustee to comply with the E-SIGN ACT of 2000 or other applicable law shall be deemed original signatures for all purposes. If the Academy chooses to use electronic signatures to sign documents delivered to the Trustee, the Academy agrees to assume all risks arising out of its use of electronic signatures, including without limitation the risk of the Trustee acting on an unauthorized document and the risk of interception or misuse by third parties. Notwithstanding the foregoing, the Trustee may in any instance and in its sole discretion require that an original document bearing a manual signature be delivered to the Trustee in lieu of, or in addition to, any document signed via electronic signature.

**Section 9.04. Additional Notices to Rating Agencies.** The Trustee hereby agrees that if at any time: (a) there is a change in the Trustee; (b) there are any modifications, supplements or amendments to this Indenture, or the Financing Agreement of which a Responsible Officer of the Trustee has actual knowledge; or (c) all of the Bonds are paid in full; then, in each case, the Trustee shall promptly give notice of any such event to each Rating Agency then maintaining a rating on the Bonds (to the extent the Trustee has been provided with notice from the Academy identifying such Rating Agencies), if any, which notice in the case of an event described in clause (b) above shall include a copy of any such amendment, modification or supplement provided, however, the Trustee shall only be required to provide such notice if the Trustee is provided with the name of the applicable Rating Agency and a copy of the proposed amendment, change or modification in a timely manner. The failure to give such notice shall not affect the validity any such changes or modifications and the Trustee shall incur no liability for failing to provide any such notices.

**Section 9.05. Payments Due on Non-Business Days.** In any case where the date of maturity of interest on or premium, if any, or principal of the Bonds or the date fixed for redemption of any Bonds shall not be a Business Day, then payment of such interest, premium or principal need not be made on such date but shall be made on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, and, in the case of such payment, no interest shall accrue for the period from and after such date.

**Section 9.06. Interest Computation.** The interest on the Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months thereafter.

**Section 9.07. Binding Effect.** This instrument shall inure to the benefit of and shall be binding upon the Authority and the Trustee and their respective successors and assigns, subject, however, to the limitations contained in this Indenture.

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
53

**Section 9.08. Captions.** The captions or headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Indenture.

**Section 9.09. Governing Law.** This Indenture shall be governed by and interpreted in accordance with the laws of the State.

**Section 9.10. Execution in Counterparts.** This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

*[Remainder of Page Intentionally Left Blank]*

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
54

IN WITNESS WHEREOF, the Authority has executed this Indenture by its Authorized Officer and the Trustee has caused this Indenture to be executed in its name by its duly authorized officer, all as of the day and year first above written.

**MICHIGAN FINANCE AUTHORITY**

By: \_\_\_\_\_  
 John Barton  
 Its: Authorized Officer

**U.S. BANK TRUST COMPANY,  
 NATIONAL ASSOCIATION, as Trustee**

By: \_\_\_\_\_  
 Christine Robinette  
 Its: Vice President

**EXHIBIT A**

FORM OF SERIES 2024 BOND

R-\_\_\_

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange, or payment, and any Bond is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA  
 STATE OF MICHIGAN  
 MICHIGAN FINANCE AUTHORITY

PUBLIC SCHOOL ACADEMY LIMITED OBLIGATION  
 REVENUE AND REVENUE REFUNDING BOND  
 (HURON ACADEMY PROJECT), SERIES 2024

Registered Owner: Cede & Co.

Principal Amount: \$ \_\_\_\_\_

<u>Rate</u>	<u>Maturity Date</u>	<u>Date of Issuance</u>	<u>CUSIP</u>
___%	October 1, ___	_____, 2024	594479 ___

FOR VALUE RECEIVED, the Michigan Finance Authority (the “Authority”) hereby promises to pay to the Registered Owner specified above, or registered assigns, upon surrender hereof, at the principal corporate trust or other designated office of the Trustee named below, on the Maturity Date specified above, unless redeemed prior thereto, the Principal Amount specified above, together with interest thereon at the interest rate specified above from the authentication date hereof or such later date to which interest has been paid, but only from the sources and in the manner hereinafter provided on each April 1 and October 1 (each an “Interest Payment Date”), commencing April 1, 2025, until the principal hereof is paid or duly provided for upon redemption or maturity. Payment of the principal of, redemption premium, if any, and interest on this Bond shall be made in lawful money of the United States of America which at the time of payment is legal tender for payment of public and private debts. Unless other arrangements are made pursuant to Section 2.02 of the Indenture (hereinafter defined), interest is payable by check or draft of the

Trustee mailed when due to the registered holder hereof at the close of business on the 15<sup>th</sup> day of the month preceding any Interest Payment Date at the address of such holder as it appears on the Bond registration books of the Authority maintained by the Trustee (the “Bond Register”).

Interest on this Bond shall be computed on the basis of a 360-day year consisting of twelve months of thirty days each.

This Bond is one of an authorized series of bonds of the Authority designated “Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024” and issued in the aggregate principal amount of \$ \_\_\_\_\_ (the “Series 2024 Bonds”), for the purpose of acquiring an obligation (the “Municipal Obligation”) of Huron Academy (the “Academy”) so as to enable the Academy to: (a) finance the costs of the Refunding; (b) finance all or a portion of the costs of the Project; (c) fund a debt service reserve fund; (d) pay capitalized interest; and (d) pay costs of issuance.

The Series 2024 Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Michigan, Executive Reorganization Order No. 2010-2 compiled at §12.194 of the Michigan Compiled Laws, Executive Order No. 2002-3 compiled at §12.192 of the Michigan Compiled Laws, and the Shared Credit Rating Act, Act 227, Public Acts of Michigan, 1985, as amended, and pursuant to a resolution of the Authority adopted on \_\_\_\_\_, 2024 (the “Resolution”) and a Trust Indenture (the “Indenture”) dated as of October 1, 2024, between the Authority and U.S. Bank Trust Company, National Association, as Trustee (the “Trustee”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture.

THIS BOND AND THE INTEREST THEREON SHALL NEVER CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE STATE OF MICHIGAN OR ANY POLITICAL SUBDIVISION THEREOF OR THE AUTHORITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF MICHIGAN OR ANY POLITICAL SUBDIVISION THEREOF OR GENERAL FUNDS OR ASSETS OF THE AUTHORITY (INCLUDING FUNDS PERTAINING TO OTHER LOANS OR ACTIVITIES OF THE AUTHORITY), BUT SHALL BE A LIMITED OBLIGATION OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY THE “SECURITY,” ALL AS DEFINED AND PROVIDED AND SUBJECT TO LIMITATIONS SET FORTH IN THE RESOLUTION AND THE INDENTURE, WHICH RESOLUTION AND INDENTURE ARE HEREBY INCORPORATED HEREIN. THE SERIES 2024 BONDS AND INTEREST DUE THEREON ARE NOT A GENERAL OBLIGATION DEBT OR LIABILITY OF THE STATE OF MICHIGAN OR ANY POLITICAL SUBDIVISION THEREOF OR THE AUTHORITY AND DO NOT CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY, BUT ARE A LIMITED OBLIGATION OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY THE “SECURITY,” AS DEFINED IN THE INDENTURE, FOR THE EQUAL AND RATABLE BENEFIT OF THE HOLDERS, FROM

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
A-2

TIME TO TIME, OF THE SERIES 2024 BONDS. THE AUTHORITY HAS NO TAXING POWER.

THE BONDHOLDER, BY THE ACCEPTANCE HEREOF, ASSENTS TO ALL PROVISIONS OF THE INDENTURE AND THE FINANCING AGREEMENT. THE AUTHORITY, AND ITS MEMBERS, OFFICERS, AND EMPLOYEES SHALL NOT BE LIABLE, DIRECTLY OR INDIRECTLY, FOR PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, OR INTEREST ON THIS BOND OR FOR ANY OTHER PECUNIARY LIABILITY IN ANY WAY RELATING THERETO, EXCEPT FROM THE SECURITY.

The Academy has executed and delivered to the Authority, and the Authority has assigned to the Trustee, the Academy’s Municipal Obligation pursuant to the terms of the Indenture and the Financing Agreement, dated as of October 1, 2024 (the “Financing Agreement”) between the Authority and the Academy. The Municipal Obligation is issued in the principal amount of the Series 2024 Bonds. Under the Municipal Obligation and the Financing Agreement, the Academy is obligated to repay the Municipal Obligation by making payments at such times and in such amounts (the “Academy Repayments”) as shall be required to pay the principal of, premium, if any, and interest on the Series 2024 Bonds, as the same become due (the “Debt Service”). In the Indenture, the Authority has assigned to the Trustee, to provide for payment of Debt Service on the Series 2024 Bonds, the Authority’s right, title and interest in and to the Financing Agreement, except for the Authority’s Unassigned Rights, as defined in the Indenture. The Academy has caused additional security to be provided to the Trustee in the form of a mortgage on the Property.

The Security includes a security interest in the Financing Agreement (except for the Authority’s Unassigned Rights) and the Academy Repayments and in any other moneys held by the Trustee under the Indenture. The Debt Service on the Series 2024 Bonds is payable solely from the Security and is an obligation of the Authority only to the extent of the Security. The Series 2024 Bonds are not secured by a pledge of the faith and credit of the Authority, the State of Michigan or any political subdivision thereof.

No recourse under or upon any obligation, covenant, acceptance or agreement contained in the Indenture, or in any of the Series 2024 Bonds, or under any judgment obtained against the Authority, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, shall be had against any employee or officer, as such, past present, or future, of the Authority or any receiver thereof, or for or to any Bondholder, or otherwise, of any sum that may be due and unpaid by the Authority upon any of the Series 2024 Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member or officer, as such to respond by reason of any act or omission on his or her part, or otherwise, for directly or indirectly, the payment for or to the Authority or any receiver thereof, or for or to the Bondholder, or otherwise, of any sum that may remain due and unpaid upon any of the Series 2024 Bonds, shall be deemed to be and is hereby expressly waived and released as a condition of and consideration for the execution and delivery of the Indenture and the issuance of the Series 2024 Bonds.

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
A-3

The Series 2024 Bonds are issuable as fully registered bonds in the denomination of \$100,000 or any integral multiple of \$5,000 thereof (the “Authorized Denominations”). This Bond, upon surrender hereof at the principal corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee executed by the Bondholder hereof or his attorney duly authorized in writing, may, at the option of the Bondholder hereof, be exchanged for an equal aggregate principal amount of Series 2024 Bonds of any other Authorized Denomination. This Bond is transferable as provided in the Indenture, subject to certain limitations therein contained and set forth in this Series 2024 Bond, only upon the Bond Register and only upon surrender of this Bond for transfer to the Trustee duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by the Bondholder hereof or his attorney duly authorized in writing. Thereupon, one or more new Series 2024 Bonds of Authorized Denominations and in the same aggregate principal amount will be issued to the designated transferee or transferees.

The Authority has established a book-entry only system of registration for the Series 2024 Bonds. Except as specifically provided otherwise in the Indenture, a nominee of a securities depository will be the registered owner and will hold this Bond on behalf of the beneficial owners hereof. By acceptance of a confirmation of purchase, delivery or transfer, the beneficial owners of this Bond shall be deemed to have agreed to this arrangement. The nominee, as registered owner of this Bond, shall be treated as the owner hereof for all purposes.

**REDEMPTION OF BONDS**

The Series 2024 Bonds are not subject to redemption prior to maturity except as hereinafter provided.

**Optional Redemption**

The Series 2024 Bonds maturing or subject to mandatory redemption on or after October 1, 20\_\_\_, are subject to redemption at the option of the Academy, on October 1, 20\_\_\_, and on any date thereafter, in whole or in part, at a redemption price equal to the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date, without premium.

**Mandatory Redemption of Term Bonds**

The Series 2024 Bonds maturing October 1, 2031 are subject to mandatory redemption on October 1, 2025, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

<b>Term Bonds Maturing October 1, 2031</b>	
<b><u>Date</u></b>	<b><u>Principal Amount</u></b>
October 1, 2025	
October 1, 2026	

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
A-4

- October 1, 2027
- October 1, 2028
- October 1, 2029
- October 1, 2030
- October 1, 2031 (maturity)

The Series 2024 Bonds maturing October 1, 2041 are subject to mandatory redemption on October 1, 2032, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

<b>Term Bonds Maturing October 1, 2041</b>	
<b><u>Date</u></b>	<b><u>Principal Amount</u></b>
October 1, 2032	
October 1, 2033	
October 1, 2034	
October 1, 2035	
October 1, 2036	
October 1, 2037	
October 1, 2038	
October 1, 2039	
October 1, 2040	
October 1, 2041 (maturity)	

The Series 2024 Bonds maturing October 1, 2052 are subject to mandatory redemption on October 1, 2042, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

<b>Term Bonds Maturing October 1, 2052</b>	
<b><u>Date</u></b>	<b><u>Principal Amount</u></b>
October 1, 2042	
October 1, 2043	
October 1, 2044	
October 1, 2045	
October 1, 2046	
October 1, 2047	
October 1, 2048	
October 1, 2049	
October 1, 2050	

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
A-5

October 1, 2051  
October 1, 2052 (maturity)

Purchase in Lieu of Redemption

The Series 2024 Bonds are subject to purchase in lieu of redemption by the Authority upon the direction of the Academy prior to their respective maturity dates at any time, in whole or in part, as set forth in Section 2.11(c) of the Indenture.

Mandatory Redemption Upon Determination of Taxability

The Series 2024 Bonds shall be subject to mandatory redemption prior to maturity, as a whole and not in part, on the earliest practicable date for which notice can be given following the occurrence of a Determination of Taxability under the Indenture, at a redemption price equal to 103% of the principal amount thereof plus accrued interest to the redemption date.

Mandatory Redemption from Insurance and Condemnation Proceeds.

Pursuant to the Indenture, the Series 2024 Bonds are subject to mandatory redemption in whole at any time or in part (and if in part in Authorized Denominations; provided that no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of the Series 2024 Bonds to be redeemed plus accrued interest to the redemption date, in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Financing Agreement.

Under the Financing Agreement, in the event: (i) the Property is damaged or destroyed; or (ii) failure of title to all or part of the Property occurs or title to or temporary use of the Property is taken by condemnation or by the exercise of the power of eminent domain, the Academy is required to promptly give written notice thereof to the Authority and the Trustee. As soon as practicable, but not later than 60 days after such damage or condemnation, the Academy must elect in writing whether to restore all or part of the Property or to prepay its obligations under the Financing Agreement. The Academy may only restore all or part of the Property if it certifies to the Trustee that it has sufficient money available to it (including insurance proceeds) to undertake such restoration, and provides the Trustee with an opinion of Bond Counsel to the effect that such restoration will not cause interest on the Series 2024 Bonds which would otherwise be excludable from gross income for federal income tax purposes to be included in gross income for federal income tax purposes. If the Property has been so damaged or destroyed, or if failure of title or condemnation or taking of such part thereof shall have been taken so that the Property may not be reasonably restored within a period of 12 consecutive months to its condition immediately preceding such damage or destruction or failure of title, or if the Academy is thereby prevented from carrying on its normal operations for a period of 12 months, or if the cost of restoring the Property is reasonably deemed by the Academy to be uneconomic and the Academy abandons the

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
A-6

Property, then all proceeds of such insurance or condemnation shall be transferred to the Bond Fund and used for payment or redemption of the Series 2024 Bonds.

Partial Redemption

If less than all the outstanding Series 2024 Bonds are called for redemption, the Trustee shall select, or arrange for the selection of, the Series 2024 Bonds to be redeemed by lot, in such manner as it shall in its discretion determine; provided that any such Bond selected for redemption shall be in Authorized Denominations and no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination. If less than the principal amount of a Bond is called for redemption, the Authority shall execute and the Trustee shall authenticate and deliver, upon surrender of such Bond, without charge to the Bondholder thereof, in exchange for the unredeemed principal amount of such Bond, at the option of such Bondholder, Series 2024 Bonds in any of the Authorized Denominations.

Notice of Redemption

Notice of redemption shall be mailed by the Trustee by first class mail at least 30 days but not more than 45 days before any redemption date to the Bondholder of each Bond to be redeemed in whole or in part at its last address appearing on the Bond Register; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond or a portion thereof with respect to which no such failure or defect has occurred. In addition, the Trustee may give such other notice or notices as may be recommended in releases, letters, pronouncements or other writings of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the Bondholder receives the notice. All Series 2024 Bonds so called for redemption will cease to bear interest on the specified date set for redemption, provided funds for their redemption have been duly deposited with the Trustee pursuant to the Indenture and, thereafter, the Bondholders of such Series 2024 Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond for any portion not redeemed in any of the Authorized Denominations.

Certain Other Provisions

If provision is made for the payment of principal of, premium, if any, and interest on this Bond in accordance with the Indenture, this Bond shall no longer be deemed outstanding under the Indenture, shall cease to be entitled to the benefits of the Indenture, and shall thereafter be payable solely from the funds provided for payment.

Under certain circumstances as described in the Indenture, the principal of all the Series 2024 Bonds may be declared due and payable in the manner and with the effect provided in the Indenture. Immediately following any such declaration, the Trustee shall mail notice of such declaration by first class mail to each Bondholder of Series 2024 Bonds at his last address

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
A-7

appearing on the Bond Register. Any defect in or failure to give such notice of such declaration shall not affect the validity of such declaration.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations, if any, of the Authority, the Academy and the Bondholders of the Series 2024 Bonds at any time with the consent of the Bondholders of a majority in aggregate principal amount of the Series 2024 Bonds at the time outstanding which are affected by such modifications. The Indenture also permits amendments and supplements to the Indenture and the Financing Agreement, without requiring the consent of any Bondholders in certain specifically described instances. The Indenture also contains provisions permitting Bondholders of a majority in aggregate principal amount of the Series 2024 Bonds at the time outstanding, on behalf of all the Bondholders of all Series 2024 Bonds, to waive compliance by the Authority and the Academy with certain provisions of the Indenture and their consequences. Any such consent or waiver by the Bondholder of this Bond shall be conclusive and binding upon such Bondholder and on all future Bondholders of this Bond and of any Bond issued in lieu hereof whether or not notation of such consent or waiver is made upon this Bond. Supplements and amendments to the Indenture or the Financing Agreement may be made only to the extent and in circumstances permitted by the Indenture.

The Bondholder of this Bond shall have no right to enforce the provisions of the Indenture or the Financing Agreement, or to institute action to enforce the covenants therein, or to take any action with respect to a default under the Indenture or the Financing Agreement, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided under certain limited circumstances described in the Indenture; provided, however, that nothing contained in the Indenture shall affect or impair any right of enforcement conferred on the Bondholder hereof by the Enabling Legislation to enforce (i) the payment of the principal of and premium, if any, and interest on this Bond at and after the maturity thereof, or (ii) the obligation of the Authority to pay the principal of and premium, if any, and interest on this Bond to the Bondholder hereof at the time, place, from the source and in the manner as provided in the Indenture.

The Bondholder of this Bond, by acceptance hereof, consents to all of the terms and provisions of the Indenture, the Financing Agreement and the Mortgage.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED, that all acts, conditions and things required to exist, happen and be performed precedent to the execution and delivery of the Indenture and the issuance of this Bond and the issue of which it is a part, do exist, have happened and have been timely performed in regular form and manner as required by law, and the issuance of this Bond, together with all other obligations of the Authority, does not exceed or violate any constitutional or statutory limitation of the Authority.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature of one of its authorized signers, this Bond shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
A-8

IN WITNESS WHEREOF, the Michigan Finance Authority has executed this Bond by the manual or facsimile signature of its Authorized Officer as of the Date of Original Issue set forth above.

**MICHIGAN FINANCE AUTHORITY**

By: \_\_\_\_\_

Its: Authorized Officer

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This Bond is one of the Series 2024 Bonds described in the within-mentioned Indenture.

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION, as Trustee**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Authentication Date: \_\_\_\_\_, 2024

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
A-9



[FORM OF ASSIGNMENT]

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_

(Name and Address of Assignee)

(Taxpayer I.D. No. \_\_\_\_\_)

the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_, the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_, attorney to transfer such Bond on the books kept for registration and transfer of the within Bond, with full power of substitution in the premises.

Dated: \_\_\_\_\_

[Signature]

NOTICE: The signature(s) to this Assignment must correspond with the name as it appears upon the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: \_\_\_\_\_

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution as defined by SEC Rule 17Ad-15 (17 CFR 240.17Ad-15) participating in a Securities Transfer Association recognized signature guarantee program.

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
A-10

**EXHIBIT B**

**DESCRIPTION OF SERIES 2024 BONDS**

Dated Date: \_\_\_\_\_, 2024

**MATURITY DATES, AMOUNTS AND INTEREST RATES**

**Term Bonds**

\$ _____	Term Bonds due October 1, 2031	Interest Rate _____%	Yield _____%	CUSIP: 594479 _____
\$ _____	Term Bonds due October 1, 2041	Interest Rate _____%	Yield _____%	CUSIP: 594479 _____
\$ _____	Term Bonds due October 1, 2052	Interest Rate _____%	Yield _____%	CUSIP: 594479 _____

**OPTIONAL REDEMPTION**

The Series 2024 Bonds maturing or subject to mandatory redemption on or after October 1, 20\_\_\_\_, are subject to redemption at the option of the Academy, on October 1, 20\_\_\_\_, and on any date thereafter, in whole or in part, at a redemption price equal to the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date, without premium.

**MANDATORY REDEMPTION PROVISIONS**

The Series 2024 Bonds maturing October 1, 2031 are subject to mandatory redemption on October 1, 2025, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

**Term Bonds Maturing  
October 1, 2031**

<u>Date</u>	<u>Principal Amount</u>
October 1, 2025	
October 1, 2026	
October 1, 2027	
October 1, 2028	
October 1, 2029	
October 1, 2030	
October 1, 2031 (maturity)	

TRUST INDENTURE  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
B-1

The Series 2024 Bonds maturing October 1, 2041 are subject to mandatory redemption on October 1, 2032, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

**Term Bonds Maturing  
October 1, 2041**

<u>Date</u>	<u>Principal Amount</u>
October 1, 2032	
October 1, 2033	
October 1, 2034	
October 1, 2035	
October 1, 2036	
October 1, 2037	
October 1, 2038	
October 1, 2039	
October 1, 2040	
October 1, 2041 (maturity)	

The Series 2024 Bonds maturing October 1, 2052 are subject to mandatory redemption on October 1, 2042, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

**Term Bonds Maturing  
October 1, 2051**

<u>Date</u>	<u>Principal Amount</u>
October 1, 2042	
October 1, 2043	
October 1, 2044	
October 1, 2045	
October 1, 2046	
October 1, 2047	
October 1, 2048	
October 1, 2049	
October 1, 2050	
October 1, 2051	
October 1, 2052 (maturity)	

**FINANCING AGREEMENT  
BETWEEN**

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**MICHIGAN FINANCE AUTHORITY**

**AND**

**HURON ACADEMY**

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**RELATING TO:**

§ \_\_\_\_\_  
**MICHIGAN FINANCE AUTHORITY**  
**Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds**  
**(Huron Academy Project), Series 2024**

**Dated as of October 1, 2024**

**TABLE OF CONTENTS**

	Page
ARTICLE I DEFINITIONS .....	1
Section 1.01. Definitions .....	1
ARTICLE II REPRESENTATIONS.....	9
Section 2.01. Representations of the Authority .....	9
Section 2.02. Representations of the Academy .....	9
ARTICLE III THE SERIES 2024 BONDS AND THE PROCEEDS THEREOF .....	13
Section 3.01. Series 2024 Bonds .....	13
Section 3.02. Purchase of Municipal Obligation .....	13
Section 3.03. Disbursements from the Project Fund .....	14
Section 3.04. Additional Bonds, Academy Bonds and Additional Indebtedness .....	14
Section 3.05. Investment of Funds and Accounts .....	16
Section 3.06. Rebate Payments to United States .....	17
ARTICLE IV BOND PAYMENTS .....	18
Section 4.01. Obligations Related to Municipal Obligation .....	18
Section 4.02. Obligations Unconditional .....	18
Section 4.03. Payment Provisions.....	19
Section 4.04. Payment General Obligation.....	20
Section 4.05. State School Aid Pledge and Payment.....	20
Section 4.06. Mandatory and Optional Prepayments .....	22
Section 4.07. Fee Payments .....	22
Section 4.08. Security Interest in the Project Fund.....	23
Section 4.09. Assignment by Authority.....	23
Section 4.10. Authorized Academy Representative .....	23
Section 4.11. The Municipal Obligation and Obligations of the Academy Unconditional.....	23
Section 4.12. Repair and Replacement Fund Payments .....	24
ARTICLE V OTHER OBLIGATIONS OF THE ACADEMY .....	24
Section 5.01. Costs of Issuance .....	24
Section 5.02. Indemnification of the Authority .....	24
Section 5.03. Indemnification of the Trustee.....	25

Section 5.04. Taxes and Other Costs .....	26
Section 5.05. Authority and Trustee Right to Perform Academy Obligations .....	26
ARTICLE VI USE OF THE PROJECT FUND .....	26
Section 6.01. Project Fund Disbursements .....	26
Section 6.02. Obligation of the Academy to Complete the Project and to Pay Costs in Event Project Fund Insufficient.....	27
Section 6.03. Recovery Under Breach of Warranty .....	27
Section 6.04. Completion Certificate.....	28
Section 6.05. Use of Surplus Funds.....	28
Section 6.06. Mortgage and Title Insurance .....	28
Section 6.07. Application of Insurance and Condemnation .....	28
Section 6.08. Agreement to Construct the Project.....	29
Section 6.09. Changes to the Project .....	29
Section 6.10. Construction Contracts .....	30
Section 6.11. Inspection and Access.....	30
Section 6.12. Abandonment of Construction.....	30
ARTICLE VII FURTHER OBLIGATIONS OF THE ACADEMY .....	32
Section 7.01. Compliance With Laws .....	32
Section 7.02. Maintenance of Legal Existence Qualification.....	32
Section 7.03. Reports and Access to the Project and Records.....	32
Section 7.04. Covenant as to Non-Impairment of Tax-Exempt Status.....	33
Section 7.05. Covenant Regarding Bond Purchases.....	33
Section 7.06. Academy to Maintain Existence .....	33
Section 7.07. Limitation on Incurrence of Additional Indebtedness .....	33
Section 7.08. Transfer, Assignment and Leasing .....	34
Section 7.09. Substitution and Removal of Personal Property .....	34
Section 7.10. Maintenance, Repair and Modification .....	34
Section 7.11. Management Agreement.....	35
Section 7.12. Liability Insurance .....	35
Section 7.13. Negligence of the Academy.....	35
Section 7.14. Property Insurance .....	36
Section 7.15. Workers' Compensation Insurance.....	36

Section 7.16. Other Insurance and Requirements for All Insurance .....	36
Section 7.17. Operating Reserve Balance Covenant .....	37
Section 7.18. Days Cash on Hand and Debt Service Coverage Ratio Covenants .....	38
Section 7.19. Management Consultant .....	39
Section 7.20. Capital Needs Assessment .....	39
Section 7.21. Academic Performance.....	39
Section 7.22. Consolidation, Merger, Sale or Conveyance .....	39
ARTICLE VIII ACTIONS AFFECTING AUTHORITY; INTEREST IN THIS AGREEMENT ...	41
Section 8.01. Interest in this Agreement.....	41
Section 8.02. Authority Assignment of this Agreement.....	41
Section 8.03. Rights of Trustee Hereunder.....	42
Section 8.04. Authority Compliance with Indenture .....	42
Section 8.05. Supplements to Indenture .....	42
ARTICLE IX EVENTS OF DEFAULT AND REMEDIES.....	42
Section 9.01. Events of Default .....	42
Section 9.02. Remedies Upon an Event of Default .....	44
Section 9.03. Payment of Attorneys' Fees and Other Expenses.....	45
Section 9.04. Limitation on Waivers .....	45
ARTICLE X MISCELLANEOUS .....	45
Section 10.01. Amounts Remaining in Funds .....	45
Section 10.02. Notices .....	46
Section 10.03. Amendment.....	46
Section 10.04. Entire Agreement.....	46
Section 10.05. Binding Effect.....	46
Section 10.06. Severability.....	46
Section 10.07. Execution in Counterparts .....	46
Section 10.08. Captions .....	46
Section 10.09. Applicable Law.....	46
Section 10.10. Non-Liability of State.....	47
Section 10.11. Non-Liability of Authorizing Body .....	47
Section 10.12. The Indenture.....	47
Section 10.13. Limitation of Rights.....	47

Exhibit A: Bond Payments.....	A-1
Exhibit B: Project Description.....	B-1
Exhibit C: Requisition Certificate With Architect Approval.....	C-1
Exhibit D: Requisition Certificate Without Architect Approval.....	D-1
Exhibit E: Completion Certificate .....	E-1

**FINANCING AGREEMENT**

This Financing Agreement (hereinafter “Agreement”) is made and entered into as of October 1, 2024, between the MICHIGAN FINANCE AUTHORITY (the “Authority”) and HURON ACADEMY (the “Academy”).

**PREMISES**

The Authority has been created by the Enabling Legislation for, among other purposes, the purpose of assisting governmental units, as defined in the Enabling Legislation, including public school academies established under the Revised School Code, by purchasing municipal obligations in fully marketable form issued by governmental units and by lending money to: (a) governmental units including public school academies; and (b) other nonprofit entities for the benefit of public school academies.

The Revised School Code authorizes public school academies to borrow money and issue bonds to finance capital purchases and improvements and to issue refunding obligations.

The Revised School Code also authorizes public school academies to enter into agreements and take actions in connection with the operation and maintenance of public school academies.

The Academy has determined that it has a need to finance the costs of the Project and to implement the Refunding (as such terms are defined herein) in furtherance of its educational objectives.

The Authority pursuant to this Agreement will acquire the obligation of the Academy to make certain payments.

In consideration of these Premises and their mutual agreements, the Authority and the Academy agree as follows:

**ARTICLE I  
DEFINITIONS**

Section 1.01. Definitions. Words and phrases capitalized herein and not defined below shall have the meanings ascribed to them in the Indenture. In addition, the following words and phrases as used throughout this Agreement shall have the following meanings unless the context or use clearly indicates another or different meaning or intent and such definitions shall be equally applicable to both the singular and plural forms of the terms and words herein defined:

“Academy Bonds” means any bonds of the Academy issued pursuant to and permitted by Section 3.04 of this Agreement.

“Academy Documents” means this Agreement, the Bond Purchase Agreement, the Mortgage, the State Aid Agreement, the Continuing Disclosure Agreement, the Environmental

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

Indemnification Agreement, and all other documents executed by the Academy in connection with this financing.

“Additional Indebtedness” means the obligations of the Academy incurred pursuant to and permitted by Sections 3.04 and 7.07 of this Agreement.

“Additional Payments” means all payments required by the Academy under this Agreement (including but not limited to Fee Payments and Reserve Fund Payments) other than Bond Payments.

“Agreement” means this Financing Agreement as the same may be amended or supplemented in accordance with its terms and the terms of the Indenture.

“Architect’s Contract” means AIA Document B101-2017 Standard Form of Agreement between the Academy and Partners in Architecture dated \_\_\_\_\_.

“Authorized Academy Representative” means the Board President of the Academy or any other officer of the Academy authorized to act in such capacity by a resolution adopted by the Board of the Academy.

“Authorizing Body” means the Ferris State University Board of Trustees, or any successor authorizing body.

“Assignment of Architect’s Contract” means the Assignment of the Architect’s Contract dated as of October 1, 2024, from the Academy in favor of the Trustee and acknowledged by \_\_\_\_\_, as architect.

“Assignment of Construction Contract” means the Assignment of the Construction Contract dated as of October 1, 2024, from the Academy in favor of the Trustee and acknowledged by \_\_\_\_\_, as contractor.

“Bond Counsel” means a firm of nationally recognized attorneys at law acceptable to the Authority and experienced in legal work relating to the issuance of bonds the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Code.

“Bond Documents” means the Academy Documents, the Municipal Obligation and the Indenture.

“Bond Payments” means the amounts payable by the Academy under its Municipal Obligation allocable to the repayment of principal of, or interest or redemption under the Municipal Obligation which do not consist of Additional Payments.

“Bond Payment Date” means with respect to the Series 2024 Bonds, April 1, 2025 and each April 1 and October 1 thereafter with respect to interest, and October 1, 2025 and each October 1 thereafter with respect to principal.

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated [Sale Date], 2024, among the Authority, the Academy and the Underwriter.

“Bondholder” means the Registered Owner or Beneficial Owner of any Series 2024 Bond.

“Business Day” means any day other than (a) a Saturday, (b) a Sunday, (c) a day on which banking institutions in the city in which the designated corporate trust office of the Trustee (or its bond registrar, paying agent or tender agent offices) is located are closed, or (d) a day on which the New York Stock Exchange is closed or the payment system of the Federal Reserve is not operational.

“Capital Needs Assessment” means the assessment required pursuant to Section 7.20 herein.

“Cash on Hand” means the sum of cash, cash equivalents, liquid investments, unrestricted marketable securities, plus 50% of bona fide receivables from the State of Michigan present on the Academy’s balance sheet, not including the Reserve Fund (valued at the lower of cost or market) of the Academy.

“Cash on Hand Requirement” means the Cash on Hand required to be maintained by the Academy under Section 7.17 of this Agreement.

“Charter” means the Academy’s contract with its Authorizing Body, together with its Articles of Incorporation and Bylaws.

“Closing Date” means the date of the initial delivery of the Series 2024 Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations proposed and promulgated from time to time thereunder and under the predecessor code.

“Completion Certificate” means the certificate provided for in Section 6.04 hereof, in the form of Exhibit E hereto.

“Completion Date” means the date of the final completion of the Project as certified in the Completion Certificate.

“Construction Contract” means the AIA Document A133 – 2019 Standard Form of Agreement Between Owner and Construction Manager as Constructor where the basis of payment is the Cost of the Work Plus a Fee with a Guaranteed Maximum Price, dated \_\_\_\_\_ between the Academy and \_\_\_\_\_, as construction manager.

“Consulting Architect” means an independent, individual, licensed architect or engineer or independent, licensed engineering or architectural firm (which may be an individual or an engineering or architectural firm retained by the Academy for other purposes) selected by the Academy.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement between the Academy and U.S. Bank Trust Company, National Association, as dissemination agent, dated as of October 1, 2024.

“Costs of Issuance” has the meaning given in Section 2.02(z) of this Agreement.

“Days Cash on Hand” has the meaning given in Section 7.17 of this Agreement.

“Default” and “Event of Default” means those defaults and events of default, respectively, specified and defined in Section 9.01 of this Agreement.

“Educational Consultant” means an independent, professional firm or corporation experienced in providing educational consulting services to public charter schools and having a favorable reputation in the field selected in accordance with the procedures outlined in Section 7.21 hereof.

“Enabling Legislation” means Executive Reorganization Order No. 2010-2 (Executive Order No. 2010-2), compiled at §12.194 of the Michigan Compiled Laws, Executive Reorganization Order No. 2002-3 (Executive Order No. 2002-3), compiled at §12.192 of the Michigan Compiled Laws, Executive Reorganization Order No. 2002-8 (Executive Order No. 2002-12), compiled at §12.193 of the Michigan Compiled Laws, and the Shared Credit Rating Act, Act 227, Public Acts of Michigan, 1985, as amended.

“Facilities” means the Academy’s school facilities, as improved by the Project, located on the Property.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel addressed to the Authority and the Trustee to the effect that the action proposed to be taken is not prohibited by the laws of the State or the Bond Documents and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Series 2024 Bonds.

“Fee Payments” mean the fee payments required by Section 4.07 of this Agreement.

“Fiscal Year” means the period commencing on the first day of July and ending on the last day of June of each year or such other twelve-month period as may be designated by the Academy as the fiscal year of the Academy.

“Gross Revenues” means, regardless of the source, all revenues, rentals, fees, third-party payments, receipts, donations, contributions or other income of the Academy, to the extent permitted thereby and by law, including accounts receivables or other rights to receive such revenues, including, without limitation, State School Aid (whether received by the Academy, its Authorizing Body or the Trustee on behalf of the Academy), capitalized interest, proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets, whether now or hereafter owned, held or possessed by the Academy; and all gifts, grants, bequests

and contributions (including income and profits therefrom) to the extent permitted by the terms thereof and by law.

“Indebtedness” means all obligations for the payment of money incurred or assumed by the Academy which appear as liabilities on the balance sheet of the Academy as determined in accordance with generally accepted accounting principles of governmental entities in the State.

“Indenture” means the Trust Indenture between the Authority and U.S. Bank Trust Company, National Association, a national banking association, as trustee, dated as of October 1, 2024, as the same may be amended or supplemented in accordance with its terms.

“Independent Architect” means a person selected by the Academy who is a registered architect in the State, and who is not a full-time employee, director or shareholder of the Authority or the Academy.

“Interest Payment Date” means, with respect to the Series 2024 Bonds, each April 1 and October 1, commencing April 1, 2025.

“Long-Term Indebtedness” means all Indebtedness, the final maturity of which (taking into account any extensions available at the sole option of the Academy) is greater than one year after the initial incurrence thereof.

“Management Agreement” means an agreement between the Academy and a management company relating to the management of the Academy’s operations.

“Management Consultant” means a professional consulting firm, certified public accounting firm, or other Person selected by the Academy, having the skill or experience in the business of Michigan public school academies necessary to render the report required by Sections 7.17, 7.18 and 7.19 of this Agreement and having a favorable reputation for such skill and experience, which Person shall have no interest, direct or indirect, in the Academy and shall not have a partner, member, director, officer or employee who is a partner, member, director, officer or employee of the Academy.

“Mortgage” means the Mortgage, dated as of October 1, 2024, from the Academy in favor of the Trustee with respect to the Property.

“Municipal Obligation” means the School Building and Site and Refunding Bond, Series 2024 of the Academy, dated as of the Issue Date.

“Net Income Available for Debt Service” means, for any period of determination thereof, the aggregate Gross Revenues of the Academy for such period, minus Operating Expenses for such period but excluding: (i) any profits or losses which would be regarded as extraordinary items under generally accepted accounting principles of governmental entities in the State; (ii) cancellation of Indebtedness; (iii) proceeds of the Series 2024 Bonds and any other Indebtedness permitted by this Agreement; (iv) proceeds of insurance policies, other than policies for business

interruption insurance, maintained by or for the benefit of the Academy, the proceeds of any sale, transfer or other disposition of the Property, the Facilities or any other of the Academy’s assets by the Academy, and any condemnation or any other damage award received by or owing to the Academy; and (v) to the extent included in Operating Expenses, Principal and Interest Requirements on Long-Term Indebtedness.

“Net Proceeds” means any insurance proceeds or condemnation award paid with respect to the Property remaining after payment therefrom for all expenses incurred in the collection thereof.

“Non-Arbitrage Certificate” means, collectively, the Non-Arbitrage Certificate delivered by the Authority and the Non-Arbitrage and Tax Compliance Certificate delivered by the Academy, as the context requires, in connection with the initial delivery of the Series 2024 Bonds.

“Operating Expenses” means fees and expenses of the Academy incurred with respect to the operation of the Academy, including interest payments, maintenance, repair expenses, utility expenses, real estate taxes, if any, insurance premiums, administrative and legal expenses, miscellaneous operating expenses, advertising and promotion costs, payroll expenses (including taxes), the cost of material and supplies used for current operations of the Academy, the cost of vehicles, equipment leases and service contracts, taxes, if any, upon the operations of the Academy not otherwise mentioned herein, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with generally accepted accounting principles of governmental entities in the State, all in such amounts as reasonably determined by the Academy; provided, however, “Operating Expenses” shall not include (a) spending for items which could reasonably be accounted for as capital expenditures under generally accepted accounting principles of governmental entities in the State, (b) deposits into and expenditures from the Repair and Replacement Fund, (c) replenishments of the Reserve Fund, or (d) depreciation, amortization and other non-cash expenses.

“Payment Date” has the meaning given in Section 4.05 of this Agreement.

“Person” means any natural person, firm, partnership, association, limited liability company, corporation, or public body.

“Pledged State Aid” has the meaning given in Section 4.05 of this Agreement.

“Principal Amount” means \$ \_\_\_\_\_ being the aggregate principal amount of the Series 2024 Bonds. The term “principal,” when used with reference to the principal of the Series 2024 Bonds, means principal of the Series 2024 Bonds and, where appropriate, any premium in addition to principal due upon redemption of the Series 2024 Bonds.

“Principal and Interest Requirement on Long-Term Indebtedness” means, for any Fiscal Year, and subject to the provisions of this Agreement, the amount required to pay the interest and principal for Long-Term Indebtedness in such Fiscal Year, excluding “funded interest” from the

proceeds of Indebtedness and excluding interest earnings on the Reserve Fund at the then current interest rate per annum, to be determined on the assumption that all Series 2024 Bonds will be retired at their stated maturities except for those Series 2024 Bonds which are required by the Indenture to be redeemed prior to their stated maturities from sinking fund payments the Academy is required by this Agreement to make for such a purpose, which Series 2024 Bonds will be assumed to be retired on their respective scheduled mandatory redemption dates.

“Prior Indenture” means the Trust Indenture, dated as of July 1, 2015, between the Academy and U.S. Bank National Association, as trustee, relating to the Prior Obligation.

“Prior Obligation” means the Academy's Public School Academy Revenue and Refunding Bonds, Series 2015, in the original principal amount of \$8,500,000 dated July 31, 2015, the proceeds of which were used by the Academy, in part, to acquire and renovate the Property.

“Prior Obligation Trustee” means U.S. Bank Trust Company, National Association, successor to U.S. Bank National Association, as trustee under the Prior Indenture.

“Project” means the construction, improvement, equipping and furnishing of an addition to the Facilities as more fully described on Exhibit B hereto, including related Project Costs.

“Project Costs” means, with respect to the Project: (a) obligations of the Academy incurred for labor and materials and to contractors, builders and materialmen in connection with the acquisition, construction and improvement of the Project; (b) the cost of bonds and of insurance of all kinds that may be required or necessary during the course of construction and improvement of the Project which is not paid by the contractor or contractors or otherwise provided for and taxes and other municipal governmental charges levied or assessed during construction upon the Project; (c) all costs of architectural, environmental and engineering services, including the expenses of the Academy for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction, as well as for the performance of all other duties required by or consequent upon acquisition of the Project or the proper construction and improvement of the Project; (d) all other costs which the Academy shall be required to pay, under the terms of any contract or contracts, for the acquisition, construction, installation, reconstruction, restoration, renovating, equipping and furnishing of the Project; (e) Costs of Issuance; (f) other costs of a nature comparable to those described in clauses (a) through (e) above which the Academy shall be required to pay as a result of the damage, destruction, condemnation or taking of the Project or any portion thereof; (g) interest on the Series 2024 Bonds or in any interim obligation during any period of construction of the Project; (h) proceeds of the Series 2024 Bonds used to fund the Reserve Fund; and (i) any other costs incurred by the Academy which are properly chargeable to the Project and which may be financed by the Series 2024 Bonds under the Enabling Legislation. Project Costs do not include:

- (a) Upgrades to operating system or application software;

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

- (b) Media, including diskettes, compact discs, video tapes, and disks, unless used for storage of initial operating system software or customized application software included in the definition of technology under MCL 380.1351a(5); or

- (c) Training, consulting, maintenance, service contracts, software upgrades, troubleshooting, or software support.

“Property” means the land and improvements thereon located at 36301 Utica Road, Clinton Township, Michigan, including the Facilities.

“Refunding” means the Authority's refinancing of the Prior Obligation.

“Repair and Replacement Fund” means the fund by that name created pursuant to Section 4.04 of the Indenture.

“Repair and Replacement Fund Requirement” means the amount of \$200,000 or such higher amount as may be required pursuant to the Capital Needs Assessment, but subject to the payment requirements and limitations set forth in Section 4.12 herein and Sections 4.01(d) and 4.04 of the Indenture.

“Reserve Fund” means the fund established pursuant to the Indenture.

“Reserve Fund Payments” has the meaning given in Section 4.01 of this Agreement.

“Revised School Code” means the Revised School Code, Act 451 Public Acts of Michigan, 1976, as amended, or any successor legislation in replacement thereof.

“Scheduled Bond Payment” means the scheduled amounts payable by the Academy as set forth on Exhibit A and under the State Aid Agreement, which consist of a Scheduled Principal Component, a Scheduled Interest Component, and a Scheduled Fee Payment Component.

“Scheduled Fee Payment Component” means the portion of the Scheduled Bond Payment to be intercepted and allocated to Fee Payments, as set forth on Exhibit A.

“Scheduled Interest Component” means the portion of the Scheduled Bond Payment to be intercepted and allocated to a payment of the interest on the Series 2024 Bonds and the Municipal Obligation, as set forth on Exhibit A.

“Scheduled Principal Component” means the portion of the Scheduled Bond Payment to be intercepted and allocated to repayment of the principal amount of the Series 2024 Bonds and the Municipal Obligation, as set forth on Exhibit A.

“Series 2024 Bonds” means the \$ \_\_\_\_\_ Michigan Finance Authority Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024.

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds



“Short-Term Debt” means any indebtedness maturing in 13 months or less from issuance, evidenced by notes, commercial paper, a bank line of credit or any other instrument to finance operating or other costs of the Academy.

“State Aid Agreement” means the State Aid Agreement, dated as of October 1, 2024 among the State Treasurer of the State, the Authority, the Academy, the Trustee and the Authorizing Body.

“State School Aid” means the State School Aid payments payable to the Academy pursuant to the State School Aid Act.

“State School Aid Act” means the State School Aid Act, Michigan Public Act 94 of 1979, as amended, or any successor legislation in replacement thereof.

“Unassigned Rights” means the right of the Authority to make all determinations and approvals and receive all notices accorded to it under this Agreement and to enforce in its name and for its own benefit the provisions of Section 4.07, Section 5.02 and Section 9.03 of this Agreement with respect to the Authority fees and expenses, and indemnity payments as the interests of the Authority and related persons shall appear.

“Underwriter” means Raymond James & Associates, Inc., and any successor thereto.

## ARTICLE II REPRESENTATIONS

Section 2.01. Representations of the Authority. The Authority makes the following representations:

(a) The Authority is a body corporate and politic established and acting pursuant to the Enabling Legislation with full authority under the Enabling Legislation to issue the Series 2024 Bonds and execute and enter into this Agreement, the Indenture, the State Aid Agreement and the Bond Purchase Agreement.

(b) All of the proceedings approving this Agreement, the Indenture, the State Aid Agreement and the Bond Purchase Agreement were conducted by the Authority at meetings which complied with Act 267, Michigan Public Acts, 1976, as amended.

(c) No member of the Authority is directly or indirectly a party to or in any manner whatsoever interested in this Agreement, the Indenture, the Series 2024 Bonds or the proceedings related thereto.

Section 2.02. Representations of the Academy.

(a) The Academy is a Michigan public school academy established in accordance with the provisions of the Revised School Code, and has, and on the Closing Date will have, full legal right, power and authority: (i) to enter into the Academy Documents and to issue

the Municipal Obligation; and (ii) to sell, pledge and assign to the Authority the State School Aid payments to be allocated and paid to the Academy as provided herein and the Academy has duly authorized and approved the execution and delivery of and the performance by the Academy of its obligations contained in the Academy Documents and the Municipal Obligation; and the Academy Documents and the Municipal Obligation have been duly authorized, executed and delivered by, and assuming due authorization by the other parties thereto, if any, are valid and binding obligations of the Academy.

(b) Neither the authorization, execution nor delivery of the Academy Documents and the Municipal Obligation, the consummation of the transactions contemplated by the Academy Documents and the Municipal Obligation nor the fulfillment of or compliance with the terms and conditions of the Academy Documents and the Municipal Obligation will require any consent or approval of the governing board of the Academy or its Authorizing Body which has not been obtained, or violate any provision of law, any order of any court or other agency of government, the Charter, or any indenture, agreement or other instrument to which the Academy is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under its Charter or any such indenture, agreement or other instrument, or, except as provided hereunder, result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Academy.

(c) No litigation or governmental proceeding is pending or, to the knowledge of the officers of the Academy, threatened against the Academy which could have a material adverse effect on its financial condition or business, its power to make payments under this Agreement or the authority or incumbency of its officers or directors.

(d) The Academy intends to cause the Facilities to be operated at all times during the term of this Agreement as a “public school academy” as that term is defined in the Revised School Code. All property which is being financed or refinanced with the net proceeds of the Series 2024 Bonds will be owned by the Academy.

(e) Moneys which will be made available from the Authority under this Agreement and other sources will be sufficient to finance the Project Costs and accomplish the Refunding.

(f) The Academy reasonably believes that the revenues and income available or to become available to the Academy and payable to the Authority under this Agreement will be sufficient for allocation to and payment of the Series 2024 Bonds and interest thereon when due.

(g) Proceeds of the Series 2024 Bonds will not exceed the cost of the Project, accomplishing the Refunding, incidental costs related thereto, funding a debt service reserve, [paying capitalized interest,] and to the issuance of the Series 2024 Bonds.

(h) Except for preliminary expenditures for architectural, engineering, surveying, soil testing, and similar costs (not including costs of land acquisition, site preparation,

and similar costs incident to commencement of construction) that were incurred prior to commencement of acquisition, construction, renovation or rehabilitation of the facilities comprising the Project, and that did not exceed in the aggregate 20 percent of the issue price of the Series 2024 Bonds, and except for costs of issuance and other costs not in excess of the lesser of \$100,000 or 5 percent of the proceeds of the Series 2024 Bonds, no proceeds of the Series 2024 Bonds were or will be allocated to the reimbursement of an expenditure of costs of the Project.

(i) The Academy is not in default in any material respect under any order, writ, judgment, injunction, decree, determination or award or any indenture, agreement, lease or instrument. The Academy is not in default under any law, rule or regulation wherein such default could materially adversely affect the Academy or the ability of the Academy to perform its obligations under the Academy Documents.

(j) No more than 10 percent of the proceeds of the Prior Obligation or the Series 2024 Bonds will be used directly or indirectly in a trade or business carried on by any person other than a governmental unit (a "private business use") that is related to the governmental purpose of the Academy. No more than 5 percent of the proceeds of the Prior Obligation or the Series 2024 Bonds will be used for any private business use that is not related to governmental purposes of the Authority or the Academy or that, although related to governmental purposes of the Authority or the Academy, exceeds the amount of the Prior Obligation or the Series 2024 Bond proceeds used for governmental purposes of the Authority or the Academy other than a related private business use. No more than 5 percent of the proceeds of the Prior Obligation or the Series 2024 Bonds will be used directly or indirectly to make or finance loans to persons other than governmental units or loans for purposes other than enabling a borrower to finance any governmental tax or assessment of general application for a specific essential governmental function such as the Project.

(k) The weighted average maturity of the Series 2024 Bonds will not be greater than 120% of the average reasonably expected economic life of the facilities being refinanced and financed and improved with proceeds of the Series 2024 Bonds, as determined pursuant to Section 147(b) of the Code.

(l) There are no contracts or other arrangements providing for private business use or ownership of any property to be financed or refinanced by proceeds of the Prior Obligation or the Series 2024 Bonds, and the Academy covenants not to enter into any such contracts or arrangements during the term of this Agreement, including any contracts or arrangements for the provision of medical services, food services, management services, or any other types of services, except contracts and arrangements which satisfy the requirements of Rev. Proc. 2017-13 or other applicable regulations under the Code.

(m) The Academy will comply with the provisions of Section 148 of the Code. The Academy covenants, for the benefit of itself, the Authority and the owners from time to time of the Series 2024 Bonds, that it will not cause or permit any proceeds of the Series 2024 Bonds to be invested in a manner contrary to the provisions of Section 148 of the Code, and that it will assume compliance with such provisions on behalf of the Authority (including, without limitation,

performing required calculations, the keeping of proper records and the timely payment to the Department of the Treasury of the United States, in the name of the Authority, of all amounts required to be so paid by Section 148 of the Code), and the Academy shall carry out all of the requirements to calculate and make rebate payments to the United States and preserve records thereof.

(n) Except as permitted by Code Section 149(b), the Series 2024 Bonds are not federally guaranteed. For this purpose, a bond is federally guaranteed if: (i) the payment of principal or interest is guaranteed (in whole or in part) by the United States or any agency or instrumentality thereof; (ii) 5% or more of the issue is to be: (A) used in making loans the principal or interest with respect to which is to be guaranteed (in whole or in part) by the United States (or an agency or instrumentality thereof); or (B) invested directly or indirectly in federally insured deposits or accounts; or (iii) the payment of principal or interest on such bond is otherwise indirectly guaranteed (in whole or in part) by the United States (or an agency or instrumentality thereof).

(o) There are no other obligations of the Academy that were sold or are to be sold within 15 days of the sale of the Series 2024 Bonds that: (i) were or are to be sold pursuant to the same plan of financing with the Series 2024 Bonds; and (ii) are reasonably expected to be paid from substantially the same source of funds as the Series 2024 Bonds, determined without regard to guaranties from unrelated parties.

(p) The Academy shall not enter into any contracts or other arrangements which do not comply with (h) and (j) above.

(q) The Academy will not enter into a transaction that reduces the arbitrage rebate to be paid to the United States because the transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield on the Series 2024 Bonds not been relevant to either party.

(r) The Facilities will be constructed and equipped in such manner as to conform with all applicable zoning, planning, building, environmental and other regulations of the governmental authorities having jurisdiction of the Facilities.

(s) To the best of the knowledge of the Academy, no authorizations, consents or approvals of governmental bodies or agencies are required in connection with the execution and delivery by the Academy of the Academy Documents or the Municipal Obligation, or in connection with the carrying out by the Academy of its obligations under the Academy Documents or the Municipal Obligation, which have not been obtained or, if not obtained on the date of this Agreement, are expected to be obtained in the normal course of business at or prior to the time such authorizations, consents or approvals are required to be obtained.

(t) There are no actions or proceedings pending or, to the knowledge of the Academy, threatened before any court or administrative agency which will, in the reasonable

judgment of the Academy, materially adversely affect the ability of the Academy to meet its obligations under the Academy Documents.

(u) No director or officer of the Authority has any interest of any kind in the Academy which would result, as a result of the issuance of the Series 2024 Bonds, in a substantial financial benefit to such persons other than as a member of the general public.

(v) The information furnished by the Academy and used by the Authority in preparing its Non-Arbitrage Certificate pursuant to the Code and the information statement pursuant to Section 149(e) of the Code (Form 8038-G) is true, accurate and complete as of the date of the issuance of the Series 2024 Bonds.

(w) The Academy has complied and intends to comply with its obligations, covenants and representations under the Bond Documents, to the extent such obligations affect the tax-exempt status of the Series 2024 Bonds.

(x) None of the proceeds of the Series 2024 Bonds will be used to finance or re-finance the purchase, construction, lease, or renovation of property owned, directly or indirectly, by any officer, board member, or employee of the Academy.

(y) The Academy shall promptly pay the Costs of Issuance upon notification by the Authority. The term "Costs of Issuance" shall mean and include Underwriter's fees, printing charges, letter of credit fees and related charges of a letter of credit, trustee fees, bond counsel fees, academy counsel fees, and other counsel fees, financial advisor fees, rating agency fees and issuance fees of the Authority.

(z) The Academy will utilize the Facilities and its leased school facility located in Sterling Heights, Michigan for public school purposes so long as Series 2024 Bonds remain outstanding under the Indenture and will use its best efforts to operate the Academy in an efficient manner. The Academy will maintain its Charter in good standing.

### ARTICLE III

#### THE SERIES 2024 BONDS AND THE PROCEEDS THEREOF

Section 3.01. Series 2024 Bonds. The Authority has authorized the issuance and sale of the Series 2024 Bonds in the Principal Amount. The Authority intends to deliver the Series 2024 Bonds subject to the terms of the Bond Purchase Agreement. The proceeds of the Series 2024 Bonds shall be deposited as provided in Section 3.02 hereof. The obligations of the Authority and the Academy under this Agreement are expressly conditioned upon delivery of the Series 2024 Bonds and receipt of the proceeds thereof.

Section 3.02. Purchase of Municipal Obligation. The Authority hereby agrees to purchase the Municipal Obligation for the Principal Amount by depositing the same as follows: (a) the amount of \$ \_\_\_\_\_ shall be transferred by the Trustee to the Prior Obligation Trustee to accomplish the Refunding; (b) in the Project Fund, the amount of \$ \_\_\_\_\_ (to pay for

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

Project Costs and Costs of Issuance in the amount of \$ \_\_\_\_\_); (c) in the Academy Funded Reserve Account, the amount of \$ \_\_\_\_\_; and (d) in the Bond Fund, the amount of \$ \_\_\_\_\_ to pay for capitalized interest.

In addition, the Authority agrees to deposit or cause to be deposited Appropriated Funds in the amount of \$ \_\_\_\_\_ and Grant Funds in the amount of \$ \_\_\_\_\_ into the Authority Funded Reserve Account of the Reserve Fund.

Section 3.03. Disbursements from the Project Fund. The Authority has directed the Trustee to disburse from the Project Fund established under the Indenture, upon requisition by the Academy, in accordance with Section 6.01 of this Agreement and the other amounts on deposit therein as provided in this Agreement.

#### Section 3.04. Additional Bonds, Academy Bonds and Additional Indebtedness.

(a) The Authority may, but shall not be required, to authorize the issuance of Additional Bonds, upon the request of the Academy, upon the terms and conditions provided in the Indenture. Failure by the Authority to issue Additional Bonds shall not release the Academy from any provisions of this Agreement, regardless of the reason for such failure.

(b) The Academy may incur additional Indebtedness (both Short-Term Indebtedness and Long-Term Indebtedness) ratably payable from and secured by the Pledged State Aid provided that in no event shall the aggregate principal amount of all additional Indebtedness secured by the Pledged State Aid outstanding at any time exceed 3% of the Academy's Gross Revenues for the last preceding Fiscal Year for which audited financial statements have been prepared.

(c) The Academy may issue additional bonds ("Academy Bonds"), in one or more series, for the acquisition, construction, expansion, equipping, furnishing and/or renovation of facilities to be used by the Academy and for such other purposes set forth in, and subject to the requirements, of this Agreement. Such Academy Bonds may be ratably payable from and secured by the Pledged State Aid, but such Academy Bonds shall bear such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Authority and the Academy. No such Academy Bonds shall be issued unless the following terms and conditions have been met:

(i) No "event of default," as such term is defined in this Agreement and the Mortgage, shall exist thereunder; and

(ii) The Trustee shall have been furnished an opinion of an attorney or firm of attorneys nationally recognized as bond counsel acceptable to the Authority to the effect that the issuance of such Academy Bonds shall not cause interest on the Series 2024 Bonds or any Additional Bonds issued on a federally tax-exempt basis to be includable in gross income of the recipient for federal income tax purposes under the Code; and

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

(iii) There shall have been furnished to the Trustee a supplement to the Financing Agreement providing for additional Academy Repayments or an agreement providing for additional payments sufficient to pay the principal of and interest on such Academy Bonds when due and supplements or amendments to the Mortgage and State Aid Agreement, if required, providing for the security of the Academy Bonds on parity with the Outstanding Bonds and the Municipal Obligation; and

(iv) There shall have been furnished to the Trustee a certificate of an Authorized Academy Representative to the effect that the proceeds of such Academy Bonds, together with any additional funds supplied or to be supplied from any source, will be sufficient to complete the cost of the project for which such Academy Bonds are issued; and

(v) There shall have been furnished to the Trustee a certificate of an Authorized Academy Representative as to compliance with the requirements of this Agreement relating to the issuance of such Academy Bonds; and

(vi) Upon issuance of such Academy Bonds, if required, there shall be deposited in a reserve fund an amount not to exceed the maximum amount permitted under the Code to be deposited therein with respect to such Academy Bonds; and

(vii) The proceeds of such Academy Bonds are to be used to finance the improvement of the Property or the acquisition or installation of equipment therein or the acquisition, construction and/or renovation of, an additional school facility of the Academy and/or the acquisition or installation of equipment thereon, and the Academy obtains a written report from an independent consultant selected by the Academy who is not within the regular employ of the Academy and has a reputation for skill and experience in such work, which report sets forth and states that: (i) the Academy's Net Income Available for Debt Service for the Fiscal Year immediately preceding the date on which such Academy Bonds are to be issued for which audited financial statements are available totals at least 110% of maximum Principal and Interest Requirements on existing Long-Term Indebtedness of the Academy payable in any Fiscal Year; (ii) the Net Income Available for Debt Service for the first Fiscal Year beginning after the Fiscal Year in which any improvements being financed by such proposed Academy Bonds are to be placed in service, or, if no improvements are to be financed thereby, beginning with the first Fiscal Year after the Fiscal Year in which the proposed Academy Bonds are to be issued, will be at least 120% of the maximum Principal and Interest Requirements on Long-Term Indebtedness (including such requirements for the proposed Academy Bonds but excluding such requirements for any then outstanding Long-Term Indebtedness or Bonds to be refinanced by the proposed Academy Bonds) for each Fiscal Year beginning with the second Fiscal Year after the Fiscal Year in which any improvements being financed by such proposed Academy Bonds are to be placed in service, or, if no improvements are to be financed thereby, beginning with the first Fiscal Year after the Fiscal Year in which the proposed Academy Bonds are to be issued, excluding the final year of a series of Bonds; and, (iii) the Academy has met the Cash on Hand Requirement under Section 7.18 herein at the time of issuance of such Academy Bonds; or the Academy has received the prior written consent of the holders of a majority of the principal amount of the Bonds (as

defined in the Indenture) then Outstanding (as defined in the Indenture) to the issuance of such Academy Bonds; and

(viii) The report of independent consultant obtained pursuant to clause (vii) above also provides a statement of projected revenues and expenditures of the Academy for each of the three fiscal years following the fiscal year in which it is estimated the improvements, additions, equipment or new facilities financed by the Academy Bonds are to be placed in service, showing that projected revenues will exceed projected expenditures in each such fiscal year.

Notwithstanding sub-clauses (vii) and (viii) above, the Academy may issue Academy Bonds for the purpose of refunding (whether in advance of maturity or otherwise) any Outstanding Bonds (such Bonds being referred to as "Refunding Bonds"), if the maximum annual debt service for all Bonds, after giving effect to the issuance of the Refunding Bonds and the application of the proceeds thereof, is not more than 110% of the maximum annual debt service for all Bonds immediately before the issuance of the Refunding Bonds. The issuance of Refunding Bonds shall otherwise comply with the requirements for the issuance of Academy Bonds set forth in this Section 3.04(c), with the exception of sub-clauses (vii) and (viii) above which shall not be applicable. An Authorized Academy Representative shall provide a certification to the Trustee of compliance with the limitations of the first sentence of this paragraph as a condition to the issuance of such Refunding Bonds.

(d) The Academy may issue Additional Indebtedness subordinate to the Series 2024 Bonds, Additional Bonds and/or Academy Bonds subject to the limitations set forth in Section 7.07 and may issue State School Aid notes in accordance with Section 7.07 herein.

Section 3.05. Investment of Funds and Accounts. Any moneys held as a part of any fund or account shall be invested, reinvested or applied by the Trustee at the written direction of the Academy or the Authority in accordance with the provisions of the Indenture. If the Trustee is not provided with written investment directions for a particular fund or account it shall hold amounts in such fund or account uninvested with no liability for interest. Any moneys held in any fund shall, pending disbursement and upon written request of the Academy be invested only in Eligible Investments in accordance with the provisions of Article IV of the Indenture, all at such maturities, rates of interest and other specifications as the Academy may indicate in its direction to the Trustee. The investments shall mature not later than the respective dates estimated by the Academy when the moneys in such funds shall be needed for the purposes provided in this Agreement and the Indenture, but should the cash balance in a fund be insufficient for such purpose, the Trustee is authorized to sell the necessary portion of such investments to meet that purpose. Recognizing that such investments shall be made at the written direction of the Academy, the Authority agrees to cooperate with the Academy, and the Academy covenants that it will restrict the use of the proceeds of the Series 2024 Bonds (and any other funds or moneys which may be deemed to be proceeds of the Series 2024 Bonds pursuant to Section 148(a) of the Code), in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time the Series 2024 Bonds are issued, so that the Series 2024 Bonds will not constitute "arbitrage bonds" under Section 148(a) of the Code.

The Academy shall not invest, reinvest or accumulate any moneys deemed to be proceeds of the Series 2024 Bonds pursuant to the Code in such a manner as to cause the Series 2024 Bonds to be “arbitrage bonds” within the meaning of the Code.

The Trustee shall have no liability whatsoever for any loss, fee, tax or other charge incurred in connection with any investment, reinvestment, sale or liquidation of an investment hereunder.

The Authority and the Academy acknowledge that regulations of the Comptroller of the Currency grant the Academy the right to receive brokerage confirmations of security transactions as they occur. The Authority and the Academy specifically waive such right to notification to the extent permitted by law and acknowledge that it will receive periodic transaction statements that will detail all investment transactions.

The Trustee may elect, but shall not be obligated, to credit the funds and accounts held by it with the moneys representing income or principal payments due on, or sales proceeds due in respect of, Eligible Investments in such funds and accounts, or to credit to Eligible Investments intended to be purchased with such moneys, in each case before actually receiving the requisite moneys from the payment source, or to otherwise advance funds for account transactions. The Authority and the Academy acknowledge that the legal obligation to pay the purchase price of Eligible Investments arises immediately at the time of the purchase. Notwithstanding anything else in the Indenture or this Agreement: (i) any such crediting of funds or assets shall be provisional in nature, and the Trustee shall be authorized to reverse any such transactions or advances of funds in the event that it does not receive good funds with respect thereto; and (ii) nothing in the Indenture or this Agreement shall constitute a waiver of the Trustee’s rights as a securities intermediary under Uniform Commercial Code §9-206.

Section 3.06. Rebate Payments to United States. The Academy for itself and for the Authority agrees that it shall calculate and make all necessary payments of investment earnings required to be rebated to the United States pursuant to the terms of the Indenture and the Non-Arbitrage Certificate. The Academy hereby further agrees that it shall comply with the procedures outlined in the Academy’s Non-Arbitrage and Tax Compliance Certificate and shall furnish to the Trustee and the Authority within fifteen (15) days following each Computation Date (as defined in the Code) the computations required thereby. The Trustee has no duty to confirm the accuracy of the computations made by the Academy and may assume that the computations are correct. The Academy shall provide to the Trustee and the Authority evidence of each payment of rebate, if any, within 30 days of each such payment.

#### ARTICLE IV BOND PAYMENTS

Section 4.01. Obligations Related to Municipal Obligation. The Academy hereby agrees that it will not sell, assign title to, lease, or obtain further financing with respect to the Property except as permitted hereunder and with the written permission of the Trustee while Bond Payments or Additional Payments remain outstanding under the Municipal Obligation and this Agreement. The Academy agrees that the Authority may pledge the Municipal Obligation and this Agreement to the Trustee as security for its obligations to pay Series 2024 Bonds and any Additional Bonds issued under the Indenture.

If on a Bond Payment Date the Academy’s payment of its obligations hereunder have been deficient or if for any other reason the balance in the Bond Fund is insufficient to pay principal and interest on the Series 2024 Bonds then due, whether by maturity, redemption, or acceleration, the Academy shall forthwith pay the amount of any such deficiency to the Trustee without any notice or demand required by the Trustee.

If any withdrawal is made from the Reserve Fund to cure any deficiency in the Bond Fund, the Academy shall pay to the Trustee for deposit, *pari passu*, on a pro rata basis into the Academy Funded Reserve Account and the Authority Funded Reserve Account of the Reserve Fund, on each Payment Date commencing with the first Payment Date following such withdrawal, an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement in eleven (11) consecutive equal installments necessary to restore the Reserve Fund to the Reserve Fund Requirement by the next Bond Payment Date.

If on any Bond Payment Date the value of the Reserve Fund is less than the Reserve Fund Requirement, the Academy shall pay to the Trustee for deposit, *pari passu*, on a pro rata basis, into the Academy Funded Reserve Account and the Authority Funded Reserve Account of the Reserve Fund on each Payment Date, commencing on the first Payment Date following such Bond Payment Date, an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement immediately (such payments being “Reserve Fund Payments”). Notwithstanding the foregoing, if there are sufficient funds in the State Aid Intercept Account of the Bond Fund to replenish any deficiency in the Reserve Fund (after taking into consideration the priority of payments set forth in Section 4.01 of the Indenture), then the obligation to make Reserve Fund Payments in an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement shall be accelerated and the Trustee shall transfer funds from the State Aid Intercept Account, *pari passu*, on a pro rata basis to the Academy Funded Reserve Account and the Authority Funded Reserve Account of the Reserve Fund to satisfy all outstanding Reserve Fund Payment requirements in accordance with Section 4.01 of the Indenture.

Section 4.02. Obligations Unconditional. The Academy’s obligations to the Authority and its assigns (including the Trustee) under the Municipal Obligation and this Agreement are an absolute and unconditional general obligation of the Academy and shall remain in full force and effect until the amounts owed hereunder shall have been paid by the Academy to the Authority

under the Municipal Obligation and this Agreement, and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation any of the following:

- (a) Any failure of title with respect to the Academy's interest in the Property or the invalidity, unenforceability or termination of this Agreement;
- (b) The modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in this Agreement;
- (c) The voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment or other similar proceedings affecting the Academy, or any of its assets or any allocation or contest of the validity of this Agreement, or the disaffirmance of this Agreement in any such proceedings;
- (d) To the extent permitted by law, any event or action which would, in the absence of this clause, result in release or discharge by operation of law of the Academy, from the performance or observation of any obligation, covenant or agreement contained in this Agreement;
- (e) The default or failure of the Academy fully to perform any of its obligations set forth in this Agreement or any other agreement;
- (f) Any casualty or destruction of the Property; or
- (g) The happening of any condition set forth in a section similar to this Section 4.02 of any financing agreement entered into in connection with the issuance of Additional Bonds.

The Authority shall have no liability for the performance of any obligations to the Academy except as expressly set forth in any Bond Document to which it is a party.

Section 4.03. Payment Provisions. The Academy agrees to pay to the Authority the Bond Payments and the Additional Payments hereunder, which are initially scheduled to be payable as set forth in Exhibit A hereto on the Payment Dates set forth in Section 4.05 below, and may be adjusted as set forth in Section 4.05. In addition, the Academy also agrees to pay to the Trustee the payments required to be deposited in the Repair and Replacement Fund set forth in Section 4.12 hereof.

In the event of a default in the payment of the Bond Payments or Additional Payments when due, the amount of such default shall bear interest (the "additional interest") at a rate equal to the rate of interest which is two (2%) percent above the Authority's cost of providing funds (as determined by the Authority) to make payments on the Series 2024 Bonds of the Authority but in no event in excess of the maximum rate of interest permitted by law. The additional interest shall continue to accrue until the Authority has been fully reimbursed for all costs incurred by the

Authority (as determined by the Authority) as a consequence of the Academy's default. Such additional interest shall be payable on the Payment Date following demand of the Authority.

It is expressly agreed between the Academy and the Authority by acceptance of the assignment made by this Agreement, that the Academy shall make all payments due hereunder at the designated trust office of the Trustee. The Academy further agrees that it will deposit with the Trustee all payments due hereunder in immediately available funds. The Academy covenants and agrees that its obligations to make payments hereunder are obligations incurred with the Authority and may be enforced by the Authority and the Trustee on behalf of the Authority pursuant to the provisions of Section 17a(3) of the State School Aid Act and the State Aid Agreement.

Section 4.04. Payment General Obligation. The obligation of the Academy to pay Bond Payments, Additional Payments and all other payments hereunder is a general obligation of the Academy. The Academy shall and hereby agrees to include in its budget (either of the general fund or of a capital fund) and pay each year, until this Agreement and the Municipal Obligation are paid in full, such sum or sums as may be necessary each year to make payments of the Bond Payments, Additional Payments and all other payments hereunder and additional interest payments, when due. The Bond Payment obligations of the Academy hereunder and under the Municipal Obligation shall be deemed to be obligations of the Academy incurred in accordance with Section 504a(g) and Section 1351a of the Revised School Code.

Section 4.05. State School Aid Pledge and Payment. The Academy unconditionally and irrevocably pledges to pay its Bond Payments and Additional Payments and all other amounts required by the Municipal Obligation or hereunder from its State School Aid to be allocated to it and payable to its Authorizing Body (the "Pledged State Aid") and grants a security interest in the Pledged State Aid. Such pledge shall be fulfilled in accordance with the provisions of the State Aid Agreement and as provided in this Section 4.05. Unless otherwise agreed to in writing by the Authority, twenty percent (20%) of each installment of State School Aid, shall, pursuant to the agreement of the Authorizing Body, be transmitted directly by the State Treasurer to the Trustee commencing on or after [November] 20, 2024, and thereafter on or before the 20<sup>th</sup> (or if such day shall not be a Business Day, the next succeeding Business Day) of each January, February, March, April, May, June, July, August, October, November and December (each a "Payment Date") pursuant to the State Aid Agreement. Moneys transferred to the Trustee pursuant to the State Aid Agreement shall be deposited in the State Aid Intercept Account of the Bond Fund and shall be applied as provided in Section 4.01 of the Indenture. Such moneys shall be used to pay the Bond Payments and Additional Payments when due, as set forth on Exhibit A, in a monthly amount approximately equal to 1/11 of the annual principal payments scheduled on the Series 2024 Bonds (the Scheduled Principal Component) plus 1/11 of the annual interest obligation (the Scheduled Interest Component) plus 1/11 of the annual fees (the Scheduled Fee Payment Component); provided however that if applicable law changes to provide for a schedule of State School Aid payments materially different from that now in effect, the Authority, by written notice to the Trustee, the State Treasurer, the Academy and the Authorizing Body may designate different payment dates or amounts to provide for timely receipt of Bond Payments and Additional Payments consistent with such changes which shall thereupon be and become the "Payment Dates"

hereunder. If the Payment Date falls on a Saturday, Sunday, or legal holiday, the Bond Payments and Additional Payments, if any, shall be due on the next Business Day. The Bond Payments and Additional Payments, if any, to the Authority shall be made first from the State School Aid allocated to the Academy during the month of the payment.

If, for any reason, the State School Aid transferred to the Trustee is insufficient to pay the Scheduled Bond Payment or Additional Payment, then in that event the Academy pledges to use any and all other available funds to meet the Scheduled Bond Payment or Additional Payment obligation. The Trustee, on behalf of the Authority, shall notify (or cause notice to be given to) the Academy if the State School Aid transferred to the Trustee on any Payment Date is insufficient to pay the Scheduled Bond Payment. Upon the receipt of the above-referenced notice from the Trustee, the Academy is required to pay any amounts required to meet the Scheduled Bond Payment obligation no later than the earlier of: (i) forty-five (45) Business Days from the receipt of notice from the Trustee or (ii) one (1) Business Day prior to Bond Payment Date.

If on any due date for any Bond Payment or Additional Payment the funds with the Trustee are insufficient to pay the Bond Payment and Additional Payment, if any, then the Academy, pursuant to Section 17a(3) of the State School Aid Act to the extent necessary to meet the payment obligation assigns to the Authority and unconditionally and irrevocably authorizes and directs the State Treasurer to intercept and/or advance to the Trustee such necessary funds not to exceed 97% of any payment which is dedicated for distribution or for which the appropriation authorizing payment has been made under the State School Aid Act, subject to the 20% limitation stated below; and in such event pursuant to Section 17a(3) of the State School Aid Act, the Authority is authorized, pursuant to the agreement of the Authorizing Body, to intercept and/or seek an advancement of 97% of the Pledged State Aid to be allocated or distributed to the Authorizing Body with respect to the Academy, subject to the 20% limitation stated below. The Trustee, on behalf of the Authority, shall immediately notify (or cause notice to be given to) the Academy and the Authorizing Body that it will immediately commence to intercept and/or receive an advancement of the Pledged State Aid and beginning immediately the Authority shall intercept 97% of the Pledged State Aid to be distributed to the Authorizing Body with respect to the Academy. Notwithstanding the foregoing, however, the amount to be applied by the Trustee to Bond Payments and Reserve Fund Payments hereunder and any other debt service payments on other long-term obligations of the Academy in any Fiscal Year shall not exceed 20% of the amount of State School Aid payable to the Academy by the State in such Fiscal Year.

The intercepted and/or advanced amount shall be applied on the following priority basis: (i) the amount required to pay the Bond Payment and Additional Payment, if any, when due shall be held by the Trustee for such purpose; (ii) any other amounts owing to the Authority under this Agreement; (iii) an amount equal to the Scheduled Fee Payment Component shall be retained by the Trustee as provided under the Indenture; (iv) any amounts required to be credited to the Repair and Replacement Fund by the Trustee as provided in the Indenture; and (v) to the extent in excess of the amounts required under (i) through (iv) above, any amounts remaining to be immediately distributed to or at the direction of the Academy. The process set forth above shall continue until sufficient funds are deposited with the Trustee to pay all Bond Payments and Additional Payments.

Section 17a(3) of the State School Aid Act does not require the State to make an appropriation to any authorizing body, public school academy, other school district or intermediate school district and such appropriation shall not be construed as creating an indebtedness of the State.

The pledge of State School Aid pursuant to this Section is subject to the reservation by the Academy of the right to make additional pledges of State School Aid to secure Additional Indebtedness as provided in Section 7.07 hereof and provided that the amount of State School Aid received by the Academy in the Fiscal Year of the State preceding the incurrence of such additional obligations equals or exceeds the amount required in each year to pay the sum of an amount equal to the Bond Payments and Additional Payments due and the principal and interest and other payments due under such additional obligations for which State School Aid has been pledged.

Section 4.06. Mandatory and Optional Prepayments. Subject to the Authority's right to optionally redeem Series 2024 Bonds, the Academy may prepay its obligations under the Municipal Obligation and hereunder in whole or in part in Authorized Denominations. The Academy may direct the redemption of the corresponding amount of Series 2024 Bonds then outstanding on such dates and pursuant to the provisions and limitations, and upon payment of any required premium, set forth in Section 2.11(a) of the Indenture.

The Academy shall prepay its obligations hereunder at such times in order to enable the Trustee to redeem all or a portion of the Series 2024 Bonds as required in Section 2.11 of the Indenture.

The Academy may direct the Authority to purchase Series 2024 Bonds in lieu of redemption as set forth in Section 2.11(c) of the Indenture.

If the Academy repays or prepays Bond Payments and other amounts owing to the Trustee under this Agreement and the Indenture in such a manner so as to permit the Security to be released from the lien of the Indenture in accordance with Article V of the Indenture, then the loan shall be deemed fully repaid, and this Agreement shall be canceled on the date on which the Security is so released. To confirm such cancellation, the Academy may require the Trustee to execute any further reasonable evidence of cancellation on the date the Security is so released.

In the event of any optional prepayment on or before the date set for redemption of the Series 2024 Bonds to be redeemed in connection therewith, the Academy shall deposit with the Trustee, an amount sufficient to pay the principal of, premium, if any, and interest on the Series 2024 Bonds and the Academy shall deposit with the Trustee sufficient moneys to pay all fees, costs, and expenses of the Authority and the Trustee specified in Section 4.07, Section 5.02, Section 5.03 and Section 9.03 hereof accruing through the date set for redemption of the Series 2024 Bonds.

Section 4.07. Fee Payments. To the extent they are not paid out of the Project Fund to the Authority, the Academy shall pay to the Authority within ten (10) days of demand therefor: (a) all Costs of Issuance and other out-of-pocket costs and expenses of the Authority incidental to the performance of its obligations under this Agreement, the Indenture and the Bond Purchase

Agreement; and (b) the out-of-pocket expenses of the Authority incurred by the Authority in enforcing the provisions of this Agreement or the Indenture.

In addition to the aforesaid payments to the Authority, the Academy shall pay to the Authority on or before October 1 in each year, an amount sufficient to assure payment in full of the Academy's allocable share (as determined by the Authority) of the annual general operating expenses of the Authority, but such allocable share shall not exceed 1/10th of one percent (0.10%) of the average principal amount of the Series 2024 Bonds outstanding under the Indenture during the preceding calendar year.

Section 4.08. Security Interest in the Project Fund. To better secure its obligations hereunder, including the obligation to pay Bond Payments and Additional Payments, as and when they are due, the Academy hereby grants a security interest in the moneys at any time held in the Project Fund, and any proceeds thereof, to the Authority to be perfected by possession of such moneys in the Project Fund by the Trustee and held therein for the benefit of the Bondholders as provided in the Indenture.

Section 4.09. Assignment by Authority. The Academy hereby consents to any assignments now or hereafter made by the Authority of the Authority's rights under this Agreement (except the Unassigned Rights) and acknowledges that no further action or consent by the Academy is necessary to effectuate such an assignment.

Section 4.10. Authorized Academy Representative. The Academy hereby authorizes and directs the Authorized Academy Representative to act in the capacity of Authorized Academy Representative under the Indenture and hereunder.

Section 4.11. The Municipal Obligation and Obligations of the Academy Unconditional. The obligation of the Academy to pay the Bond Payments and Additional Payments and all other amounts required by the Municipal Obligation and this Agreement to be paid by the Academy shall be an absolute and unconditional general obligation of the Academy, and shall not be subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise. Until the Series 2024 Bonds have been fully paid (or provision made therefor) in accordance with the Indenture, the Academy: (a) shall not suspend or discontinue any Bond Payments or Additional Payments; (b) shall perform and observe all of its other obligations contained in the Municipal Obligation and this Agreement; and (c) shall not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, defect in title to the Property, failure to complete the Project, any acts or circumstances that may constitute failure of consideration, destruction of, damage to or condemnation of the Property, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either, or any failure of the Authority to perform and observe any of its obligations arising out of or connected with this Agreement. It is the intent and expectation of the parties hereto that the Bond Payments will be sufficient for the payment in full of the Series 2024 Bonds, including: (i) the total interest to become due and payable on the Series 2024 Bonds to the dates of payment thereof; (ii) the total principal amount of the Series 2024 Bonds; (iii) the redemption premiums, if any, that shall be payable on the redemption of the Series 2024 Bonds prior to their stated payments

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

dates; and (iv) all additional interest, additional principal and any other amounts payable to the Trustee as and when required by the Series 2024 Bonds or this Agreement. In the event, however, of any deficiency in the payment of such amounts regardless of the reason for such deficiency, the Academy agrees that upon notice of the deficiency from the Trustee or the Authority it shall then immediately pay the amount of the deficiency to the Trustee on behalf of the Authority. The obligations of the Academy under this paragraph shall survive the termination of this Agreement.

Section 4.12. Repair and Replacement Fund Payments. On each Payment Date, the Academy shall pay to the Trustee for deposit to the Repair and Replacement Fund under the Indenture the amount of \$1,818, provided that the maximum amount the Academy shall be required to deposit each Fiscal Year shall not be more than \$20,000. The Academy's obligation to make such deposits shall continue until the amount on deposit in the Repair and Replacement Fund equals the Repair and Replacement Fund Requirement. The Academy may withdraw amounts from the Repair and Replacement Fund for a permitted purpose, but shall be required to replenish such amounts pursuant to this Section 4.12 until the Repair and Replacement Fund Requirement is met. The Trustee, upon the direction of the Academy, shall make the required Repair and Replacement Fund deposit from the State Aid Intercept Account as an Additional Payment pursuant to Section 4.01(d) of the Indenture.

## ARTICLE V

### OTHER OBLIGATIONS OF THE ACADEMY

Section 5.01. Costs of Issuance. The Academy covenants and agrees to promptly pay the Costs of Issuance upon notification by the Authority.

Section 5.02. Indemnification of the Authority.

(a) The Authority and its members, officers, agents and employees (the "Indemnified Persons") shall not be liable to the Academy for any reason. The Academy shall, to the extent permitted by law, indemnify and hold the Authority and the Indemnified Persons harmless from any loss, expense (including reasonable counsel fees) or liability of any nature due to any and all suits, actions, legal or administrative proceedings, or claims arising or resulting from, or in any way connected with: (i) the financing, operation, use or maintenance of the Property; (ii) any act, failure to act or misrepresentation by any person, firm, corporation or governmental agency, including the Authority, in connection with the issuance, sale, delivery or remarketing of any of the Series 2024 Bonds; (iii) any act or failure to act by the Authority in connection with this Agreement or any other document involving the Authority in this matter; and (iv) the selection and appointment of firms or individuals providing services related to the Series 2024 Bond transactions. If any suit, action or proceeding is brought against the Authority or any Indemnified Person, that suit, action or proceeding shall be defended by counsel to the Authority or the Academy, as the Authority shall determine. If the defense is by counsel to the Authority, which is the Attorney General of Michigan or may, in some instances, be private, retained counsel, the Academy shall indemnify the Authority and Indemnified Persons for the reasonable costs of that defense, including reasonable counsel fees. If the Authority determines that the Academy shall

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds



defend the Authority or Indemnified Persons, the Academy, as determined by the Authority, shall immediately assume that defense at its own cost. The Academy shall not be liable for any settlement of any proceedings made without its consent (which consent shall not be unreasonably withheld).

(b) The Academy shall not be required to indemnify the Authority or any Indemnified Person under subsection (a) if a court with competent jurisdiction finds that the liability in question was caused by the willful misconduct or sole gross negligence of the Authority or the involved Indemnified Person, unless the court determines that, despite the adjudication of liability but in view of all circumstances of the case, the Authority or the Indemnified Person(s) is (are) fairly and reasonably entitled to indemnity for the expenses which the court considers proper.

(c) The Academy shall, to the extent permitted by law, also indemnify the Authority for all reasonable costs and expenses, including reasonable counsel fees, incurred in: (i) enforcing any obligation of the Academy under this Agreement or any related agreement; (ii) taking any action requested by the Academy; (iii) taking any action required by this Agreement or any related agreement; or (iv) taking any action considered necessary by the Authority which is authorized by this Agreement or any related agreement.

(d) The obligations of the Academy under this Section 5.02 shall survive any assignment or termination of this Agreement.

Section 5.03. Indemnification of the Trustee. The Academy shall, to the extent permitted by law, indemnify and hold the Trustee and its members, officers, agents, directors and employees (the "Trustee Indemnified Persons") harmless against any loss, liability or expense incurred without gross negligence or willful misconduct on the part of the Trustee, arising out of or in connection with the acceptance or administration of the Indenture, including the costs and expense of defense against any such claim of liability. In the event of the occurrence of any claim indemnified against under this paragraph, the Trustee shall promptly notify the Academy of the existence of the claim and shall give the Academy such assistance and cooperation in the defense thereof as may be reasonably requested. The Academy shall defend any such claim through legal counsel of its choice, and the Academy shall have exclusive authority to defend, settle or otherwise dispose of such claim as it deems advisable in the exercise of its sole discretion, provided however, that no settlement shall be effected without the prior consent of the Trustee Indemnified Person, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, each Trustee Indemnified Person may, however, retain its own counsel and still be indemnified against the cost of employing counsel and all other expenses despite an assumption of the defense by the Academy if such Trustee Indemnified Person believes in good faith that there are defenses available to it that are not available to the Academy or that are adverse to or in conflict with those available to the Academy or that such Trustee Indemnified Person believes in good faith cannot be effectively asserted by common counsel. Each Trustee Indemnified Person always has the right to employ separate counsel but, subject to the preceding sentence, the fees and expenses of its separate counsel must be paid by such Trustee Indemnified Person unless the Academy and such Trustee Indemnified Person have mutually agreed to the employment of such Trustee Indemnified Person's separate counsel. The Academy is not liable for any settlement of a suit, claim, demand, action or

proceeding effected without its written consent. If the suit, claim, demand, action or proceeding is settled with the consent of the Academy or results in a final judgment for the plaintiff, the Academy agrees to indemnify and hold harmless the Trustee Indemnified Persons from and against any loss or liability by reason of the settlement or judgment. The obligations of the Academy under this Section 5.03 shall survive any assignment or termination of this Agreement and the resignation or removal of the Trustee.

The Academy shall, to the extent permitted by law, also indemnify the Trustee for all reasonable costs and expenses, including reasonable counsel fees, incurred in: (i) enforcing any obligation of the Academy under this Agreement or any related agreement; (ii) taking any action requested by the Academy; (iii) taking any action required by this Agreement or any related agreement; or (iv) taking any action considered necessary by the Trustee which is authorized by this Agreement or any related agreement.

The obligations of the Academy under this section shall survive any assignment or termination of this Agreement.

Section 5.04. Taxes and Other Costs. The Academy shall promptly pay, as the same becomes due, all lawful taxes and governmental charges of any kind whatsoever, including without limitation income, profits, receipts, business, property and excise taxes, with respect to any estate, interest, documentation or transfer in or of the Property, this Agreement or any payments with respect to the foregoing, the costs of all building and other permits to be procured, and all utility and other charges and costs incurred in the operation, maintenance, use, occupancy and upkeep of the Property.

Section 5.05. Authority and Trustee Right to Perform Academy Obligations. In the event the Academy shall fail to perform any of its obligations under this Agreement, the Authority and the Trustee may, but shall be under no obligation to, perform such obligation and pay all costs related thereto, and all such costs so advanced by the Authority or the Trustee shall become an additional obligation of the Academy to the Authority or the Trustee, secured under the Indenture, payable on demand with interest thereon at 2% per annum in excess of the average rate per annum borne by the Series 2024 Bonds from the date of advancement until payment, but in no event in excess of the maximum rate permitted by law.

## ARTICLE VI

### USE OF PROJECT FUND; CONSTRUCTION OF THE PROJECT

Section 6.01. Project Fund Disbursements. Subject to the conditions set forth below, unless an Event of Default has occurred and is continuing, the Trustee shall disburse out of the Project Fund the lesser of: (a) the Project Costs paid or incurred; or (b) the Series 2024 Bond proceeds deposited in the Project Fund and investment income in the Project Fund. Such disbursements shall be used to pay the Project Costs so long as there are moneys in the Project Fund. The Trustee shall make disbursements from the Project Fund within three days of receipt by the Trustee of a completed requisition, in the form attached hereto as Exhibit C, signed by an

Authorized Officer of the Academy and approved in writing by the Consulting Architect or, if the requisition does not relate to a construction cost, or if State law does not require the use of an architect, a requisition in the form attached hereto as Exhibit D but signed only by an Authorized Officer of the Academy. The Trustee shall be fully protected in making disbursements from the Project Fund pursuant to such requisitions without further inquiry or investigation and shall have no duty or obligation to confirm that such requested disbursements are for a permitted purpose.

Prior to the first disbursement, in addition to all other instruments and documents required to be delivered pursuant to the Indenture, the Bond Purchase Agreement and this Agreement, the Academy shall have delivered to the Trustee: (a) a marked-up loan policy or title insurance commitment from a title insurance company satisfactory to the Authority, naming the Trustee as lender, without standard exceptions, in the amount specified in Section 6.07 of this Agreement, insuring that the Mortgage is a first lien in all respects on the unencumbered marketable fee simple absolute title to the Property, subject only to Permitted Encumbrances, together with copies of all necessary sworn statements and lien waivers required by the title company, if any; and (b) evidence of payment of fees relating thereto.

Each Requisition Certificate shall be accompanied by copies of invoices or other appropriate documentation, supporting the payments or reimbursements requested and by a brief description of the portion of the Project financed, acquired, constructed or improved; provided that the Trustee shall have no duty or obligation to review such invoices and may conclusively rely on such requisitions.

Section 6.02. Obligation of the Academy to Complete the Project and to Pay Costs in Event Project Fund Insufficient. The Academy shall proceed diligently to complete the Project substantially in accordance with the descriptions which have been provided to the Authority. If requested, the Academy shall make available to the Authority and the Trustee such information concerning the Project as any of them may reasonably request.

In the event the money in the Project Fund available for payment of the costs of the Project shall not be sufficient to make such payment in full, the Academy agrees to pay directly, or to deposit moneys in the Project Fund for the payment of, such costs of completing the Project as may be in excess of the moneys available therefor in the Project Fund. The Authority does not make any warranty or representation, either expressed or implied, that the moneys which will be deposited into the Project Fund, and which under the provisions of this Agreement will be available for payment of the costs of the Project, will be sufficient to pay all of the costs which will be incurred in connection therewith. The Academy agrees that if, after exhaustion of the moneys in the Project Fund, the Academy shall pay, or deposit moneys in the Project Fund for payment of, any portion of the costs of the Project pursuant to the provisions of this Section 6.02, it shall not be entitled to any reimbursement therefor from the Authority, the Trustee or from the owners of any of the Series 2024 Bonds, nor shall it be entitled to any diminution of the amounts payable hereunder.

Section 6.03. Recovery Under Breach of Warranty. All warranties shall vest in the Academy and in the event of default or breach of warranty by any contractor in connection with

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

the Project or with respect to any materials, workmanship or performance or other guaranty, the Academy may, after notification of the Authority, proceed, either separately or in conjunction with others, to pursue such remedies against the party in default and against each surety as it may deem advisable. Any amounts recovered in connection with the foregoing after Project Costs have been paid or duly provided for shall be paid to the Academy.

Section 6.04. Completion Certificate. The Completion Date of the acquisition, equipping and installation of the Project and the payment of the entire Project Costs shall be evidenced to the Trustee and the Authority by the Completion Certificate in the form shown as Exhibit E attached hereto or in a form approved by the Authorized Officer of the Authority.

Section 6.05. Use of Surplus Funds. As soon as practicable and in any event within 60 days from the date of delivery of the Completion Certificate, the Academy shall direct the Trustee to transfer any balance remaining in the Project Fund (i.e. "Surplus Bond Proceeds") to the Bond Fund, for use in accordance with Section 4.03 of the Indenture. Notwithstanding the foregoing, proceeds of the Series 2024 Bonds may be retained in the Project Fund longer than three (3) years after the Issue Date provided the Academy delivers a Favorable Opinion of Bond Counsel to the Trustee with respect to the retention and investment of such proceeds of the Series 2024 Bonds in the Project Fund.

Section 6.06. Mortgage and Title Insurance. At or prior to the Closing Date, the Academy shall cause to be executed and delivered and cause to be recorded the Mortgage (as defined in the Indenture) securing performance by the Academy of its obligations under this Agreement and the payment of the Bond Payments and Additional Payments by the Academy. The Mortgage shall grant to the Trustee a first mortgage lien on all real property comprising the Property.

At or prior to the Closing Date, the Academy shall obtain a policy of mortgage title insurance on the Property, insuring the first priority lien of the Mortgage, subject only to Permitted Encumbrances (as defined in the Mortgage). The title policy shall provide for title insurance in an amount equal to the full principal amount of the Series 2024 Bonds, provided, however, that the effective amount of the title policy as of the Closing Date may be limited to the amount disbursed from the Project Fund as of such date provided that further Project Fund disbursements are accompanied by an endorsement to such title policy increasing coverage by the amount of the disbursement. Upon request, a copy of such policy shall be provided to the Trustee. The Trustee will be under no obligation to review any such policy for its compliance with the provisions hereof. The Trustee shall not be under any obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Academy, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur.

Section 6.07. Application of Insurance and Condemnation. In the event: (i) the Property is damaged or destroyed; or (ii) failure of title to all or part of the Property occurs or title to or temporary use of the Property is taken by condemnation or by the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Academy shall promptly give written notice thereof to the Authority

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds

and the Trustee. As soon as practicable, but not later than 60 days after such damage or condemnation, the Academy shall elect in writing whether to restore all or part of the Property or to prepay this Agreement. The Academy may only restore all or part of the Property if it certifies to the Trustee that it has sufficient money available to it (including insurance proceeds) to undertake such restoration and provides the Trustee with an opinion of Bond Counsel to the effect that such restoration will not cause interest on the Series 2024 Bonds, which would otherwise be excludable from gross income for federal income tax purposes, to be included in gross income for federal income tax purposes. If the Academy chooses to restore all or part of the Property, the Trustee shall deposit the proceeds of such condemnation or insurance in a project fund, to be established under the Indenture and drawn down by the Academy in proportion to work provided upon receipt of a written request to the Trustee. If the Academy shall elect to restore the Property, it shall proceed to do so with reasonable dispatch. The Trustee shall be fully protected in releasing amounts as so requested by the Academy and has no duty or obligation to monitor the Academy's use of such released funds. If the Property shall have been so damaged or destroyed, or if failure of title or condemnation or taking of such part thereof shall have been taken so that the Property may not be reasonably restored within a period of 12 consecutive months to its condition immediately preceding such damage or destruction or failure of title, or if the Academy is thereby prevented from carrying on its normal operations for a period of 12 consecutive months, or if the cost of restoring the Property is reasonably deemed by the Academy to be uneconomic and the Academy abandons the Property, then all proceeds of such insurance or condemnation shall be transferred to the Bond Fund and used for payment or redemption of the Series 2024 Bonds in accordance with Section 2.11(d) of the Indenture. Upon request the Academy shall provide a certification to the Trustee as to whether or not any of the foregoing conditions are present.

Section 6.08. Agreement to Construct the Project. The Academy shall proceed with due diligence to construct the Project in accordance with any applicable plans and specifications and all applicable laws and regulations. The Academy agrees to use its best efforts to diligently complete the Project on or before [\_\_\_\_\_], but the Academy shall not be in violation of such agreement if the progress of construction is delayed at any time by changes ordered in the work, or by labor disputes, fire, unusual delay in transportation, unavoidable casualties or any causes beyond the Academy's and contractor's control, or by any event which an Independent Architect determines may justify the delay, then the Completion Date shall be extended for such reasonable time as such Independent Architect may determine but not beyond [\_\_\_\_\_], and there will be no resulting liability of the Academy hereunder. In any case, there shall be no abatement or diminution in the payments required to be made by the Academy under this Financing Agreement.

Section 6.09. Changes in the Project. Pursuant to the Assignment of Construction Contract, the Academy may make any changes in the plans and specifications or any construction contract for the Project, and may make any deletions from or substitutions or additions to the proposed Project without the prior consent of the Authority or the Trustee, so long as such changes in the plans and specifications or a construction contract, or deletions from or substitutions or additions to the Project do not (i) materially and adversely alter the size or scope of the Project, or (ii) materially impair the usefulness or character of the Facilities, or (iii) materially increase the cost of completing the Project (unless there are sufficient funds to cover such increased costs already

on deposit in the Project Fund, or unless the Academy determines by resolution that money is available to the Academy for payment of additional costs and such additional money is deposited with the Trustee for credit to the Project Fund), or (v) violate any license, permit or approval given by the State, the Township of Clinton, or any other governmental unit with respect to the Facilities or the Project. No change in the plans and specifications or a construction contract and no deletion from or substitution or addition to the Project may be made without prior approval of a contractor's surety if required by the payment and performance bond provided by such surety.

Section 6.10. Construction Contracts.

(a) The Academy agrees that, upon occurrence of an Event of Default prior to the completion date of the Project and upon receipt of a written request from the Trustee, the Academy shall assign to the Trustee all of its right, title and interest to any construction contract relating to the Project identified in such written request, and to all related performance, labor and material bonds. Each construction contract or Assignment of Construction Contract relating to the Project shall provide that the contractor shall perform the agreements contained in such construction contract for the Trustee if the Trustee should take over such construction contract after default by the Academy.

(b) In the event of a material default of a contractor under a construction contract made in connection with the Project, or in the event of a material breach of warranty with respect to any materials, workmanship or performance, the Academy will promptly, either separately or in conjunction with others, pursue diligently the remedies of the Academy against the contractor or any subcontractor in default and against each surety on a bond, if any, securing the performance of such contract. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, after deduction of expenses incurred in such recovery and after reimbursement to the Academy of any amounts theretofore paid by the Academy and not previously reimbursed to the Academy for correction or remedying of the default which gives rise to the proceedings against the contractor or surety, shall be paid into the Project Fund if received before the Completion Date, and otherwise shall be paid into the Reserve Fund to the extent necessary to increase the balance therein to the Reserve Fund Requirement, and thereafter to the Bond Fund.

Section 6.11. Inspection and Access. The Authority, the Trustee, and their duly authorized agents, following written notice and subject to the rights of the Academy, shall have the right at all reasonable times to enter upon the Facilities, and shall have such rights of access thereto as may be reasonably necessary to examine and inspect and assure that the Project is proceeding in accordance with the provisions of this Financing Agreement and to assure that the Facilities are being properly maintained in accordance with this Financing Agreement.

Section 6.12. Abandonment of Construction.

(a) If the Academy at any time prior to the completion of the Project abandons or ceases work thereon and fails to resume work thereon within 30 days after written notice from the Authority or the Trustee to the Company stating that such abandonment or cessation has begun

(except where such cessation in work is caused by labor dispute, fire, unusual delay in transportation, unavoidable casualty or any other cause beyond the Academy's or contractor's control, as the Academy shall certify in writing to the Authority and the Trustee) and requesting that work on the Project be resumed, or if the Academy fails to complete the Project substantially in accordance with any applicable plans and specifications, or makes changes in such plans and specifications or a construction contract in violation of Section 6.08 hereof, such failure shall be an Event of Default, and, in addition to the other remedies provided in this Financing Agreement, the Trustee may then enter into and take possession of the Facilities and perform any and all work and labor necessary to complete the Project. The Academy grants the Trustee a right of entry for the foregoing purpose. All sums expended by the Trustee in completion of the Project shall be deemed to have been paid to the Academy. For this purpose, the Academy constitutes and appoints the Trustee its true and lawful attorney-in-fact, with full power of substitution in the premises, to complete the Project in the name of the Academy. The Academy empowers said attorney-in-fact as follows:

- (i) to use any funds in the Project Fund that may remain unadvanced hereunder or any funds in the Reserve Fund, for the purpose of completing the Project;
- (ii) to make such additions, changes and corrections in the plans and specifications as shall be necessary or desirable to complete the Project in substantially the manner contemplated by such plans and specifications;
- (iii) to employ such contractors, subcontractors, agents, architects and inspectors as shall be required for such purposes;
- (iv) to pay, settle or compromise all existing bills and claims which may be liens against the Facilities, or as may be necessary or desirable for the completion of the Project, or for clearance of title;
- (v) to execute all applications and certificates in the name of the Academy;
- (vi) to prosecute and defend in the name of the Academy all actions or proceedings in connection with the construction of the Project; and
- (vii) do any and every act which the Academy might do in its own behalf in connection with the Facilities and completion of the Project.

It is further understood and agreed that this power of attorney, which constitutes a power coupled with an interest, cannot be revoked. The Academy assigns and quitclaims to the Trustee all sums held in the Project Fund, such assignment to become effective only upon occurrence of an Event of Default. The rights and powers granted to the Trustee pursuant to this Section 6.11 shall in no way alter or affect the rights of the Trustee set forth in the Indenture or under the Mortgage upon a default by the Academy.

## ARTICLE VII FURTHER OBLIGATIONS OF THE ACADEMY

Section 7.01. Compliance With Laws. The Academy agrees that it shall, throughout the term of this Agreement and at no expense to the Authority, promptly comply or cause compliance with all legal requirements of duly constituted public authorities which may be applicable to the Property or to the repair and alteration thereof, or to the use or manner of use of the Property.

Section 7.02. Maintenance of Legal Existence Qualification. During the term of this Agreement, and except as otherwise provided by Section 7.06 hereof, the Academy shall maintain its existence and shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it without the prior written consent of the Authority.

Section 7.03. Reports and Access to the Project and Records. The Academy covenants that promptly, but not later than one hundred fifty (150) days after the close of each Fiscal Year, it will file with the Authority and the Trustee, in such quantity as the Authority may require, its audited financial statements for such Fiscal Year reflecting in reasonable detail the financial position and results of operation of the Academy, together with the audit report by a certified public accountant or firm of independent certified public accountants of suitable experience and responsibility selected by the Academy. The Trustee shall have no duty to review or analyze such financial statements and shall hold such financial statements solely as a repository for the benefit of the Bondholders. The Trustee shall not be deemed to have notice of any information contained therein or information determinable from any information contained therein and shall not be deemed to have notice of an event of default which may be disclosed therein in any manner.

The Academy further covenants and agrees that it will promptly file with the Authority a copy of all documentation, materials and notices filed by or on behalf of the Academy pursuant to or in connection with any continuing disclosure undertaking relating to the Series 2024 Bonds or other debt incurred by or for the benefit of the Academy. In addition, the Academy covenants to provide the Trustee the following:

- (a) unaudited quarterly financial statements within forty-five (45) days of the quarter end; and
- (b) upon request, the results of any tests required by federal or State testing authorities within thirty (30) days of receipt by the Academy; and
- (c) any notice received from the Authorizing Body regarding compliance or non-compliance with the terms of the Charter.

In addition, upon request, the Academy further covenants and agrees that it will provide the Trustee a current property survey of the Property, together with a current environmental investigation performed on the Property and the Academy will have obtained, if required, the permission of any applicable third parties to provide such information to the Trustee. The Trustee

shall not be deemed to have notice of any information contained therein or information determinable from any information contained therein and shall not be deemed to have notice of an event of default which may be disclosed therein in any manner.

Section 7.04. Covenant as to Non-Impairment of Tax-Exempt Status. Notwithstanding any other provision of any rights of the Academy under this Agreement, the Academy hereby covenants that, to the extent permitted by law, it shall take all actions within its control and that it shall not fail to take any action as may be necessary to maintain the exclusion of the interest on the Series 2024 Bonds from gross income for federal income tax purposes, on behalf of itself and the Authority, including but not limited to, actions relating to the rebate of arbitrage earnings and the expenditure and investment of Series 2024 Bond proceeds and moneys deemed to be Series 2024 Bond proceeds, all as more fully set forth in the Non-Arbitrage Certificate.

Section 7.05. Covenant Regarding Bond Purchases. The Academy covenants that neither it nor any related person will purchase Series 2024 Bonds in an amount related to the amount of proceeds of such Series 2024 Bonds.

Section 7.06. Academy to Maintain Existence. The Academy covenants and agrees that for so long as any Series 2024 Bonds remain outstanding under the Indenture, it shall maintain its existence as a public school academy under State law and shall continue to operate the Facilities and the programs at the Academy's other facilities as public school academies which will produce sufficient available revenues to pay the Bond Payments and all other amounts due and owing under the Municipal Obligation and this Agreement. Notwithstanding the foregoing, the Academy shall have the right to cease operations at the Property and obtain from the Trustee a release and discharge of the Mortgage with respect thereto upon (a) prepayment in full of the Bond Payments and Additional Payments and (b) filing an opinion of Bond Counsel that such prepayment and release will not adversely affect the exclusion of interest on the Series 2024 Bonds from gross income for federal income tax purposes.

Section 7.07. Limitation on Incurrence of Additional Indebtedness. The Academy covenants and agrees that for so long as any Bond remains Outstanding under the Indenture, the Academy shall not issue any debt or incur any obligation on a parity with or superior to the Bonds and secured by the Security, except as permitted under Section 3.04 of this Agreement, provided that notes issued pursuant to subsection (b) below may be issued on a parity basis with the Bonds. The Academy further covenants and agrees that for so long as any Bonds remain Outstanding under the Indenture, the Academy shall not issue any debt or incur any obligation payable wholly or in part from: (1) moneys, funds, accounts, investments; or (2) any other assets of the Academy not comprising State School Aid revenues, except:

- (a) obligations incurred in the ordinary course of business;
- (b) State School Aid notes (including State School Aid note lines of credit) issued pursuant to Act 451, Public Acts of Michigan, 1976, as amended;
- (c) purchase money obligations secured by the property being financed; and

- (d) obligations incurred pursuant to and in compliance with federal and other charitable grants.

Section 7.08. Transfer, Assignment and Leasing. The Academy may not transfer or sell the Property without the prior written consent of the Authority and 66 and 2/3% of the Bondholders of the Series 2024 Bonds and any Additional Bonds. The Academy may lease any portion of the Property with the prior written consent of the Bondholders of 66 and 2/3% of the Series 2024 Bonds provided that the Academy delivers to the Authority and the Trustee in connection with any such leasing a Favorable Opinion of Bond Counsel with respect to such lease. No leasing shall relieve the Academy from primary liability for any of its obligations hereunder, and in the event of any such leasing the Academy shall continue to remain primarily liable for the payment of Bond Payments and Additional Payments and for performance and observance of the other agreements herein on its part to be performed and observed.

This Agreement may not be assigned without the prior written consent of the Authority, the Trustee and a majority of the Bondholders of the Series 2024 Bonds.

Section 7.09. Substitution and Removal of Personal Property. Any property refinanced with Series 2024 Bond proceeds may not be removed from the Property unless: (i) other property of equivalent or greater value and utility is substituted therefor within six months of such disposition; or (ii) the proceeds of the sale of such property are used in accordance with the following sentence; or (iii) the Academy receives an opinion of Bond Counsel that noncompliance with (i) or (ii) above will not adversely affect the exclusion of interest on the Series 2024 Bonds from gross income for federal income tax purposes. Any proceeds received upon the sale of any of the property refinanced with the proceeds of the Series 2024 Bonds: (i) will be invested at a yield not in excess of the yield on the Series 2024 Bonds and used for the purpose of redeeming the Series 2024 Bonds at the first subsequent call date; or (ii) will be used for the purpose of acquiring property performing the same function at the Property as the disposed property within six months of the date of receipt of such proceeds. Notwithstanding the foregoing, if any property refinanced with the proceeds of the Series 2024 Bonds wears out or becomes obsolete so that it is no longer functional to the Academy and the Academy deems it appropriate to dispose of such property and, further, if the Academy or any related party thereto receives no economic benefit from the disposal thereof, then the Academy may dispose of such property other than as provided above. To the extent the Trustee is required to consent to any such removal the Academy shall certify that the conditions set forth herein shall be satisfied and the Trustee shall be fully protected in relying on such certification with no independent investigation.

Section 7.10. Maintenance, Repair and Modification. The Academy shall cause the Property to be used for the purposes described in this Agreement throughout the term of this Agreement. The Academy does not know of any reason why the Property will not be used and occupied by it in the absence of supervening circumstances not now anticipated by it or beyond its control. The failure of the Academy to use the Property for its intended purposes shall not in any way abate or reduce the obligation of the Academy to pay the Bond Payments and the Additional Payments under the provisions of this Agreement.

The Academy agrees that it will keep the Property in good repair and good operating condition, ordinary wear and tear excepted, at its own cost.

The Academy may remodel the Property or make additions, modifications and improvements to the Property from time to time as the Academy, in its discretion, may deem to be desirable, the cost of which shall be paid by the Academy; provided, however, that such additions, modifications and improvements: (i) do not materially and adversely alter the scope, character, value or operation of the Property without the prior written consent of 66 and 2/3% of the Bondholders of the Series 2024 Bonds; (ii) do not impair the exclusion of interest on the Series 2024 Bonds from gross income for federal income tax purposes; and (iii) do not contravene the provisions of the Enabling Legislation. To the extent the Trustee is required to consent to any such additions, modifications and improvements the Academy shall certify that the conditions set forth herein shall be satisfied and provide the Trustee an opinion of Bond Counsel as to the matters required under (ii) and (iii) above, the Trustee shall be fully protected in relying on such certification with no independent investigation.

Section 7.11. Management Agreement. The Academy shall not enter into a new Management Agreement or amend any such Management Agreement entered into in the future relating to its operations, unless prior to entering into such an amendment or new Management Agreement, the Academy obtains a Favorable Opinion of Bond Counsel with respect to such amendment or new Management Agreement.

Section 7.12. Liability Insurance. The Academy shall procure and maintain or cause to be procured and maintained continuously in effect with respect to the Property comprehensive general accident and public liability insurance covering any liability arising out of or in any way relating to the maintenance, use or operation of the Property or any part thereof, under which the Academy and the Trustee are named as insureds, in an amount not less than \$1,000,000 for bodily injury or death per occurrence and \$1,000,000 for property damage per occurrence and the aggregate combined limits of not less than \$2,000,000 and will cause all contractors to maintain similar insurance against all similar liabilities on their part. The Net Proceeds of all such insurance shall be applied as set forth in Section 6.07 hereof.

Section 7.13. Negligence of the Academy. As between the Academy and the Authority, the Academy agrees to defend the Authority against all risks and liabilities, whether or not covered by insurance, for loss or damage to the Property and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of the Academy or of third parties, and whether such property damage be to property of the Academy or the property of others, which is proximately caused by the negligent conduct of the Academy, its officers, employees and agents. The Academy hereby assumes responsibility for and agrees to defend and to reimburse the Trustee with respect to all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorney's fees) of whatsoever kind and nature, imposed on, incurred by or asserted against the Trustee that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part upon the negligent conduct of the Academy, its officers, employees and agents, to the maximum extent permitted by law.

Section 7.14. Property Insurance. As between the Academy and the Authority, the Academy shall have and assume the risk of loss with respect to the Property, and shall procure and maintain continuously in effect during the term of this Agreement with respect to the Property, to the extent of the full replacement cost of the Property, other than land and building foundations, all-risk insurance, subject only to the standard exclusions contained in the policy, in such amount as will be at least sufficient so that a claim may be made for the full replacement costs of any part thereof damaged or destroyed, and including business interruption insurance in an amount sufficient to pay Scheduled Bond Payments for a period of twelve months. All policies (or endorsements or riders) evidencing insurance required in this Section 7.14 shall be carried in the names of the Academy and the Trustee as their respective interest may appear. The Net Proceeds of insurance required by this Section 7.14 shall be applied as provided in Section 6.07 hereof; provided that the Net Proceeds of business interruption insurance shall be applied to the payment of Bond Payments and Additional Payments.

Section 7.15. Workers' Compensation Insurance. The Academy shall carry or cause to be carried workers' compensation insurance covering all employees on, in, near or about the Facilities, and upon request, shall furnish to the Trustee certificates evidencing such coverage throughout the term of this Agreement.

Section 7.16. Other Insurance and Requirements for All Insurance. The Academy shall obtain and maintain or cause to be obtained and maintained during the term of this Agreement business interruption insurance in an amount sufficient to make Bond Payments for a period of twelve (12) months, cybersecurity insurance, and such other insurance policies covering such other risks and in such amounts as are customarily maintained by educational institutions similar to the Academy in the ordinary course of their business. All insurance required by this Article VII may be carried under a separate policy or a rider or endorsement; shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State; and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to all parties at least thirty (30) days before the cancellation or revision becomes effective. The Academy shall deposit with the Trustee, upon request, policies evidencing any such insurance procured by it, or a certificate or certificates of the respective insurers stating that such insurance is in full force and effect. Before the expiration of any such policy, the Academy shall furnish to the Trustee, upon request, evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article VII.

The Academy, commencing October 1, 2024, shall annually provide the Trustee with a certificate of the Academy as to compliance with the provisions of Sections 7.12, 7.14, 7.15 and 7.16 of this Agreement. The Trustee shall be entitled to rely upon such certificate as to the Academy's compliance with such provisions. The Trustee shall not be responsible for the sufficiency of coverage or amounts of such policies. The Trustee will be under no obligation to review any such policy for its compliance with the provisions hereof. The Trustee shall not be under any obligation to effect or maintain insurance or to renew any policies of insurance or to

inquire as to the sufficiency of any policies of insurance carried by the Academy, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur.

Section 7.17. Operating Reserve Balance Covenant. Pursuant to the terms of this Agreement, the Academy covenants and agrees to maintain an unrestricted Cash on Hand in its operation fund equal to or greater than 45 Days Cash on Hand (the “Cash on Hand Requirement”). “Days Cash on Hand” means: (a) Cash on Hand of the Academy, as shown on the audited financial statements at the end of each Fiscal Year divided by; (b) the quotient of Operating Expenses, as shown on the financial statements for such Fiscal Year, divided by 365.

The Cash on Hand Requirement will be tested on June 30 of each year, commencing June 30, 2025. Thereafter, the Academy will provide the Trustee with a certification no later than the earlier of: (i) December 1; or (ii) three weeks after the completion of the Academy’s audit for each Fiscal Year that the Cash on Hand Requirement has or has not been met. Amounts on deposit in such operation fund may be used to pay Operating Expenses or may be used for any other lawful purpose. The foregoing is subject to the qualification that if applicable State or federal laws or regulations, or the rules and regulations of agencies having jurisdiction, shall not permit the Academy to maintain the Cash on Hand Requirement, then the Academy shall, in conformity with the then prevailing laws, rules or regulations, maintain its Cash on Hand equal to the maximum permissible level. If requested, the Academy shall provide the Trustee with a written certification that the Academy is maintaining its Cash on Hand equal to the maximum permissible level in conformity with the then prevailing laws, rules or regulations and the Trustee shall be fully protected in relying on such written certification.

If the Cash on Hand for any testing date is less than the Cash on Hand Requirement, then, upon the written direction of a majority of the Bondholders, the Academy will promptly employ a Management Consultant to review and analyze the operations and administration of the Academy, and inspect the Facilities.

If the Cash on Hand for any testing date is less than the Cash on Hand Requirement, then, the Trustee shall promptly send to the Bondholders a notice stating the Days Cash on Hand, as reported by the Academy, together with a request to Bondholders to direct the Academy to employ a Management Consultant (a “Hiring Direction”). Such Hiring Direction shall not be effective unless and until, and shall take effect in accordance with its terms when (a) a majority of the Bondholders have (i) filed with the Trustee their written consents thereto or (ii) been deemed to have consented thereto in accordance with the procedure described below, and (b) a notice and request shall have been delivered as hereinafter provided in this Section 7.17. A Bondholder shall be deemed to have consented to such Hiring Direction if the Trustee has not received from such Bondholder within thirty days of the date of mailing of such notice a written response indicating such Bondholder’s withholding of their consent to the Hiring Direction. Any such consent shall be binding upon the Bondholder giving or deemed to have given such consent and upon any subsequent Bondholder of such Bonds and of any Bonds issued in exchange therefor or replacement thereof whether or not such subsequent Bondholder has notice thereof; provided, however, that any consent to the Hiring Direction may be revoked by any Bondholder by filing with the Trustee, prior to the time when the Trustee’s certification hereafter in this Section 7.17

referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. The fact that a consent to the Hiring Direction has not been revoked may be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with it. Within 30 days of any date on which the consents on file with the Trustee or deemed to have been given in accordance with this Section 7.17 and not theretofore revoked shall constitute a majority of Bondholders, the Trustee shall make and deliver to the Academy and the Authority a certification that the consents to such Hiring Direction of a majority of Bondholders have been filed with the Trustee. Such certification shall be conclusive that such consents to such Hiring Direction have been so filed. Promptly upon receipt from the Trustee that the majority of Bondholders have consented to the Hiring Direction, the Academy shall hire a Management Consultant and thereafter shall provide the Trustee with the Management Consultant’s recommendations as to the operation and administration of the Academy as such Management Consultant deems appropriate, including any recommendation as to a revision of the methods of operation thereof. The Trustee shall forward a copy of such report to Bondholders. The Academy agrees to consider any recommendations by the Management Consultant and, to the fullest extent practicable and allowed by law and consistent with its covenants hereunder, to adopt and carry out such recommendations.

So long as the Academy is otherwise in full compliance with its obligations under this Agreement, including following, to the fullest extent practicable and allowed by law and consistent with its covenants hereunder, the recommendations of the Management Consultant, it shall not constitute an Event of Default if the Cash on Hand for any testing date, is less than the Cash on Hand Requirement. The Trustee has no duty or obligation to monitor the Academy’s compliance with any recommendations of the Management Consultant. If requested, the Academy shall provide the Trustee with a written certification that the Academy is, to the fullest extent practicable and allowed by law and consistent with its covenants hereunder, in compliance with the recommendations of the Management Consultant, and the Trustee shall be fully protected in relying on such written certification.

Section 7.18. Days Cash on Hand and Debt Service Coverage Ratio Covenants. The Academy further covenants and agrees to comply with either of the following covenants: (a) maintain sixty (60) Days Cash on Hand and Net Income Available for Debt Service in each Fiscal Year, commencing with the Fiscal Year ending June 30, 2025, of not less than one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year; or (b) if the Academy maintains fewer than sixty (60) Days Cash on Hand, then the Academy will maintain a Net Income Available for Debt Service in each Fiscal Year, commencing with the Fiscal Year ending June 30, 2025, of not less than one hundred ten percent (110%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year. All determinations required pursuant to this Section 7.18 shall be made utilizing the Academy’s audited financial statements for the appropriate Fiscal Year.

If (i) the Academy does not maintain sixty (60) Days Cash on Hand and the Net Income Available for Debt Service for any Fiscal Year ending on or after June 30, 2025, is less than one hundred ten percent (110%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year, or (ii) the Academy is maintaining sixty (60) Days Cash on

Hand, but the Net Income Available for Debt Service for any Fiscal Year ending on or after June 30, 2025, is less than one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year; then, upon the written direction of a majority of the Bondholders obtained in accordance with the procedures outlined in Section 7.17 hereof upon receipt from the Trustee of certification that the consents to such Hiring Direction of a majority of Bondholders have been filed with the Trustee, the Academy will promptly employ a Management Consultant to review and analyze the operations and administration of the Academy, inspect the Facilities, submit to the Academy and Trustee written reports, and make such recommendations as to the operation and administration of the Academy as such Management Consultant deems appropriate, including any recommendation as to a revision of the methods of operation thereof. The Trustee shall provide the Bondholders with a copy of any such recommendations. The Academy agrees to consider any recommendations by the Management Consultant and, to the fullest extent practicable and allowed by law and consistent with its covenants hereunder, to adopt and carry out such recommendations. Such Management Consultant shall be acceptable to the Authority. The Trustee has no duty or obligation to monitor the Academy's compliance with any recommendations of the Management Consultant. If requested, the Academy shall provide the Trustee with a written certification that the Academy is, to the fullest extent practicable and allowed by law and consistent with its covenants hereunder, in compliance with the recommendations of the Management Consultant, and the Trustee shall be fully protected in relying on such written certification.

Notwithstanding the immediately preceding paragraph, if the Net Income Available for Debt Service as of the end of any Fiscal Year commencing with the Fiscal Year ending June 30, 2025 is less than one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness for such Fiscal Year (as evidenced by the Academy's audited financial statements for such Fiscal Year), then if the Trustee has not previously sent the request to the Bondholders with respect to a Hiring Direction as set forth above then the Trustee shall not be required to send such notice but shall instead notify the Bondholders that based on the fact that the Academy's Net Income Available for Debt Service as of the end of any Fiscal Year commencing with the Fiscal Year ending June 30, 2025 is less than one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness for such Fiscal Year a majority of the Bondholders may either: (x) direct the Trustee to declare an Event of Default; or (y) direct the Trustee to exercise one or more of the remedies permitted under this Agreement and the Indenture and request the Bondholders provide the Trustee with a direction as to whether or not to take either of such actions. If the Net Income Available for Debt Service is at least one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness for such Fiscal Year as of the end of the Fiscal Year following the Fiscal Year in which the Management Consultant's recommendations were implemented, then any subsequent failures to meet the requirements set forth above will give the Bondholders the option to again initiate the procedures set forth above.

Section 7.19. Management Consultant. In the event that an amount equal to 20% of the Academy's State School Aid has not been sufficient, as determined as of June 30 in any year, to make the Bond Payments due with respect to the Series 2024 Bonds in the past year, the Academy

shall promptly employ a Management Consultant. The Management Consultant shall review and analyze the financial statements and condition of the Academy and inspect the Property, its operation and administration, and submit written reports to the Academy and the Trustee, and make such recommendations as to the operation and administration of the Academy as such Management Consultant deems appropriate. The Academy agrees to consider any recommendations by the Management Consultant and, to the fullest extent practicable and allowed by law and consistent with the Academy's covenants under this Agreement, to adopt and carry out such recommendations. The Trustee has no duty or obligation to monitor the Academy's compliance with any recommendations of the Management Consultant. If requested, the Academy shall provide the Trustee with a written certification that the Academy is, to the fullest extent practicable and allowed by law and consistent with its covenants hereunder, in compliance with the recommendations of the Management Consultant, and the Trustee shall be fully protected in relying on such written certification.

Section 7.20. Capital Needs Assessment. The Academy agrees to prepare and deliver to the Trustee, on or before June 30, 2030, and on every fifth anniversary thereafter, a needs assessment for the ensuing five-year period with respect to the Facilities (the "Capital Needs Assessment"). The Capital Needs Assessment will include the projected costs of the required capital expenditures for such period identified in the Capital Needs Assessment. The Academy agrees to budget for and complete any capital repairs relating to the Facilities identified by the Capital Needs Assessment. If funds on hand in the Repair and Replacement Fund are not sufficient to meet the capital needs set forth in the Capital Needs Assessment, the Academy will budget for such capital needs such that the capital needs can be met within the five-year period covered by the Capital Needs Assessment. The monthly deposit to the Repair and Replacement Fund will be increased to an amount sufficient to cover the five-year period covered by the Capital Needs Assessment. The Trustee has no duty or obligation to review the Capital Needs Assessments and shall receive such reports solely as repository on behalf of the Bondholders. The Trustee's receipt of the foregoing shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Academy's compliance with any of its covenants herein or in any other transaction document.

Section 7.21. Academic Performance. The Academy covenants and agrees that, beginning with the 2024-25 school year and each year thereafter, it will maintain its academic performance so as not to be designated as a Targeted Support and Improvement School or Comprehensive Support and Improvement School. If the State discontinues its use of the current performance and adequate achievement standards, the Academy covenants to maintain academic performance comparable to the current standards.

In the event the Academy is designated as a Targeted Support and Improvement School for two consecutive years or as a Comprehensive Support and Improvement School, the Academy will promptly employ, at its sole expense, an Educational Consultant to review and analyze the instructional program and curriculum of the Academy, and submit to the Academy and the Trustee a compliance plan wherein the Educational Consultant and the Academy will create benchmarks to assist the Academy so that it is not designated as a Targeted Support and Improvement School



or Comprehensive Support and Improvement School. The Academy agrees to consider all reasonable recommendations by the Educational Consultant and, to the fullest extent practicable, to adopt and carry out such recommendations. The Academy will not be required to consider any recommendations by the Educational Consultant that would conflict with an agreement with the Michigan Department of Education under the Partnership Program, or the terms of a Plan of Correction under the Charter.

The Trustee has no duty or obligation to monitor the Academy's compliance with any recommendations and the Trustee's sole responsibility is to forward such recommendations to the Bondholders. Prior to hiring such Educational Consultant, the Academy shall provide the Trustee with a brief written description of its proposed Educational Consultant. Within 3 Business Days of receipt, the Trustee shall provide a copy of such description to the Bondholders and notify Bondholders that if they have any objections to the hiring of such Educational Consultant they must notify the Trustee in writing within 20 Business Days or they will be deemed to have accepted the hiring of such Educational Consultant by the Academy. The Trustee shall notify the Academy whether or not the Trustee receives any objections. In the event such Educational Consultant is objected to by a Majority Bondholder, the Academy shall promptly choose another Educational Consultant and the same process shall be followed. The Trustee shall certify to the Academy the results of each Bondholder consent process.

So long as the Academy is otherwise in full compliance with its obligations under this Agreement, including following, to the fullest extent practicable, the recommendations of the Education Consultant, it shall not constitute an Event of Default under this Agreement if the Academy fails to meet the academic performance covenant set forth in this section. If requested, the Academy shall provide the Trustee with a written certification that the Academy is, to the fullest extent practicable, in compliance with the recommendations of the Education Consultant and the Trustee shall be fully protected in relying on such written certification.

Section 7.22. Consolidation, Merger, Sale or Conveyance. The Academy agrees that during the term of this Agreement it will not merge or consolidate with any other entity, or sell or convey its interest in the Facilities except as otherwise permitted in this Agreement. Prior to any merger or consolidation, the Academy shall demonstrate that, while taking into account the merger or consolidation, it meets either of the tests for the incurrence of Long-Term Indebtedness set forth in Section 3.04(c)(vii) hereof.

#### ARTICLE VIII

##### ACTIONS AFFECTING AUTHORITY; INTEREST IN THIS AGREEMENT

Section 8.01. Interest in this Agreement. The Academy shall not assign or transfer its rights or obligations under this Agreement, except as shall be permitted in this Agreement or consented to by the Authority and the Trustee.

Section 8.02. Authority Assignment of this Agreement. The Academy hereby acknowledges and consents to the assignment and pledge pursuant to the Indenture by the

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
41

Authority to the Trustee, as additional security for the Series 2024 Bonds, of the Municipal Obligation and this Agreement and all of the Authority's rights and powers under this Agreement, (except the Unassigned Rights) including the right to receive Bond Payments and Additional Payments.

Section 8.03. Rights of Trustee Hereunder. The terms of this Agreement and the enforcement thereof are essential to the security of the Trustee and are entered into for the benefit of the Trustee. The Trustee shall accordingly have contractual rights and duties in this Agreement and be entitled to enforce separately or jointly with the Authority the terms of this Agreement.

Section 8.04. Authority Compliance with Indenture. The Authority shall comply with the covenants, requirements and provisions of the Indenture and perform all of its obligations thereunder.

Section 8.05. Supplements to Indenture. The Authority shall consent to no supplements, modifications or waivers to the Indenture which have a material effect on the rights or obligations of the Academy or the Trustee without the prior written consent of the Academy and the Trustee, respectively.

#### ARTICLE IX

##### EVENTS OF DEFAULT AND REMEDIES

Section 9.01. Events of Default. The term "Events of Default" shall mean, whenever used in this Agreement, any one or more of the following events:

- (a) Failure by the Academy to make a Bond Payment under the Municipal Obligation when due.
- (b) Failure by the Academy to make an Additional Payment hereunder when due.
- (c) Failure by the Academy to observe and perform any other obligations in this Agreement, or in any other related or collateral documents on its part to be observed or performed for a period of forty-five (45) days after written notice specifying such failure and requesting that it be remedied, given to the Academy by the Authority or the Trustee.
- (d) The dissolution or termination of the Academy or failure by the Academy promptly to lift any execution, garnishment or attachment of such consequences as will materially impair its ability to carry out its obligations under this Agreement or the Academy becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors or consents to the appointment of a trustee or receiver for the Academy or for the greater part of its properties; or a trustee or receiver is appointed for the Academy or for the greater part of its properties without its consent and is not discharged within 60 days; or bankruptcy, reorganization or liquidation proceedings are commenced by or against the Academy, and if commenced against the Academy

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
42

are consented to by it or remain undismissed for 60 days; or an order for relief is entered in any bankruptcy proceeding.

(e) If any representation or warranty made by the Academy in any document delivered by the Academy to the purchaser(s) of the Series 2024 Bonds, the Trustee or the Authority in connection with the issuance, sale and delivery of the Series 2024 Bonds is untrue in any material respect.

(f) If the Academy shall default under any other agreement for payment of money in excess of \$25,000 and such default shall not be cured within any period of grace provided in such agreement, if any, or if the Academy shall assign or convey or attempt to assign or convey any of its rights or obligations under this Agreement except as shall be permitted under this Agreement, provided, however, that the Academy shall not be in default under this Section 9.01, if it is contesting in good faith any default under any such other agreement for the payment of money and, with respect to construction liens, has bonded over such lien to the satisfaction of the Trustee, unless in the estimation of the Authority the security of the Trustee under this Agreement is materially endangered.

(g) The occurrence of an Event of Default under the Indenture.

(h) The loss of its Charter or the failure of the Academy to have its Charter renewed, unless a charter from another authorizing body is received on or before the effective date of revocation or nonrenewal and a state aid agreement in form and content the same as the agreement executed in connection herewith is executed by such new authorizing body on or before the effective date of revocation or nonrenewal.

(i) If the Academy shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, any Bond Document.

The term "Default" shall mean Default by the Academy in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Agreement, exclusive of any period of grace or notice required to constitute an Event of Default.

No default specified in (c) above shall constitute an Event of Default unless the Academy shall have failed to correct such Default within the applicable period; provided, however, if such Default is such that it cannot be cured within such 45 day period, it shall not constitute an Event of Default if the Default is correctable and if corrective action is instituted within such 45 day period and diligently pursued until the Default is corrected, but in no event shall the period allowed for correction exceed one hundred twenty (120) days, and if the Academy shall within the applicable period furnish to the Authority and the Trustee a certificate certifying that such Default is such that it can be corrected but not within the applicable period and that corrective action capable of remedying such default has been instituted and is being diligently pursued and will be diligently pursued and will be corrected within one hundred twenty (120) days. The Authority or the Academy shall notify the Trustee when such default has been corrected. The Trustee shall be entitled to conclusively rely upon any such certificate given pursuant to this Section 9.01.

The Defaults described in subsection (c) above only, are also subject to the following limitation: If the Academy by reason of force majeure is unable to carry out or observe the obligations described in said subsection (c), the Academy shall not be deemed to be in breach or violation of this Agreement or in default during the continuance of such inability. The term "force majeure" as used herein shall include, without limitation, acts of God, strikes, lockouts or other disturbances; acts of public enemies; inability to comply with or to cause compliance with laws, ordinances, orders, rules, regulations or requirements of any public authority or the government of the United States of America or the State or any of their departments, agencies, or officials, or any civil or military authority; inability to procure or cause the procurement of building permits, other permits, licenses or other authorizations required for the construction, use, occupation, operation or management of the Property; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event other than financial inability not reasonably within the control of the Academy. The Academy agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Academy from carrying out its agreements; provided, however, that the settlement of strikes, lockouts and other disturbances shall be entirely within the discretion of the Academy, and the Academy shall not be required to make settlement of strikes, lockouts and other disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Academy not in the best interests of the Academy.

Section 9.02. Remedies Upon an Event of Default. Whenever any Event of Default shall have occurred and be continuing, the Authority or the Trustee may take any one or more of the following remedial steps:

(a) Declare all indebtedness under this Agreement (i.e., Bond Payments, Additional Payments and all other payments required by this Agreement) to be immediately due and payable, whereupon the payment date for the same shall become immediately accelerated and all such indebtedness shall become immediately due and payable;

(b) Have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Academy only, however, insofar as they relate to the Property or the Event of Default and remedying thereof;

(c) Exercise and enforce all or any of its rights under the security interests granted in this Agreement and the Mortgage; and/or

(d) Petition a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate all or any part of the assets of the Academy for the benefit of the Authority and the Trustee.

No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be

cumulative and shall be in addition to every other remedy now or hereafter existing at law or in equity or by statute.

Any amounts collected pursuant to action taken under this Section 9.02 shall be paid into the Bond Fund and applied in accordance with the Indenture, except amounts collected pursuant to ARTICLE IV for the benefit of the Authority which shall be paid to or retained by the Authority.

Section 9.03. Payment of Attorneys' Fees and Other Expenses. In the event the Academy should default under any of the provisions of this Agreement and the Authority and/or the Trustee should employ attorneys or incur other expenses for the collection of the Bond Payments and Additional Payments, for the enforcement of performance or observance of any obligation of the Academy in this Agreement or of the foreclosure of any security interests granted in this Agreement, the Academy shall on demand therefor promptly pay to the Authority and/or the Trustee, as the case may be, the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Section 9.04. Limitation on Waivers. No delay or omission to exercise any right or power occurring upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed appropriate. In order to entitle the Authority or the Trustee to exercise any remedy under this Article IX, it shall not be necessary to give any notice other than such notice as may be herein expressly required.

In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by the other parties, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder nor a waiver of the same breach on a future occasion. By reason of the assignment and pledge of certain of the Authority's rights and interest in this Agreement to the Trustee, the Authority shall have no power to waive or release the Academy from any Event of Default or the performance or observance of any obligation or condition of the Academy under this Agreement without prior written consent of the Trustee, but shall do so if requested by the Trustee, provided that prior to such waiver or release by the Authority, the Authority shall have been provided with an opinion of bond counsel of nationally recognized standing that such action will not result in any pecuniary liability to it and the Authority shall have been provided such indemnification from the Trustee as the Authority shall deem necessary.

## ARTICLE X MISCELLANEOUS

Section 10.01. Amounts Remaining in Funds. Any amounts remaining in the Bond Fund upon expiration or sooner termination of this Agreement after payment in full of the Series 2024 Bonds (or provision therefor) in accordance with the Indenture, and all other costs and expenses of the Authority and the Trustee specified under this Agreement, and all the amounts required to

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
45

be paid by the Academy under this Agreement and the Indenture shall have been fully paid, shall be applied as provided in the Indenture.

Section 10.02. Notices. All notices, certificates or other communications hereunder shall be effective when received and shall be deemed given when mailed by registered or certified mail, postage prepaid, return receipt requested, addressed to the Authority, the Academy or the Trustee, as the case may be, at the Authority's address, the Academy's address, or the Trustee's address as respectively provided in the Indenture, or hand delivered to the above at their respective addresses.

The Authority, the Academy, and the Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or communications shall be sent.

Section 10.03. Amendment. The provisions of this Agreement may not be amended, supplemented, waived or terminated without the prior written consent of the Trustee and the Authority and no amendment to this Agreement shall be binding upon either party hereto until such amendment is reduced to writing and executed by both parties hereto. Amendments to this Agreement are subject to the provisions of Sections 8.03 and 8.04 of the Indenture.

Section 10.04. Entire Agreement. This Agreement contains all agreements between the parties and there are no other representations, warranties, promises, agreements or understandings, oral, written or inferred, between the parties, unless reference is made thereto in this Agreement and the Indenture.

Section 10.05. Binding Effect. This Agreement shall be binding upon the parties hereto and upon their respective successors and assigns, and the words "Authority," "Academy" and "Trustee" shall include the parties hereto and their respective successors and assigns and include any gender and singular and plural, any individuals, partnerships or corporations.

Section 10.06. Severability. If any clause, provision or section of this Agreement shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections.

Section 10.07. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.08. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions of this Agreement.

Section 10.09. Applicable Law. This Agreement shall be governed in all respects, whether as to validity, construction, performance or otherwise, by the laws of the State.

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
46

Section 10.10. Non-Liability of State. The obligations of the Authority under this Agreement are limited obligations of the Authority, payable solely out of the Security and as otherwise provided under this Agreement and the Indenture. The obligations of the Authority hereunder shall not be deemed to constitute an indebtedness or an obligation of the Authority, the Authorizing Body, the State or any political subdivision thereof within the purview of any constitutional limitation or provision, or a charge against the credit or general taxing powers, if any, of any of them. The Authority has no taxing power. Neither the Authority nor any member, director, officer, employee or agent of the Authority nor any person executing the Series 2024 Bonds shall be liable personally for the Series 2024 Bonds or be subject to any personal liability or accountability by reason of the issuance of the Series 2024 Bonds. No recourse shall be had for the payment of the principal of, redemption premium, if any, and interest on any of the Series 2024 Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in the Series 2024 Bonds, the Indenture, this Agreement or the Bond Purchase Agreement (or any other agreement entered into by the Authority with respect thereto) against any past, present or future member, officer, agent or employee of the Authority, or any incorporator, member, officer, employee, director or trustee or any successor thereof, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such incorporator, member, officer, employee, director, agent or trustee as such is hereby expressly waived and released as a condition of and consideration for the execution of the Indenture, the Bond Purchase Agreement and this Agreement (and any other agreement entered into by the Authority with respect thereto) and the issuance of the Series 2024 Bonds.

Section 10.11. Non-Liability of Authorizing Body. The Authority and the Trustee, on behalf of the Bondholders, each understands and agrees that the Authorizing Body has not agreed to assume, undertake or in any way guarantee payment of the Academy's obligations from any source of revenue available to the Authorizing Body, including the administrative fee deducted by the Authorizing Body from the State School Aid received by the Authorizing Body for the Academy.

Section 10.12. The Indenture. The Indenture provisions concerning the Series 2024 Bonds and the other matters therein are an integral part of the terms and conditions of the loan made by the Authority to the Academy pursuant to this Agreement, and the execution of this Agreement shall constitute conclusive evidence of approval of the Indenture by the Academy to the extent it relates to the Academy. Additionally, the Academy agrees that, whenever the Indenture by its terms imposes a duty or obligation upon the Academy, such duty or obligation shall be binding upon the Academy to the same extent as if the Academy were an express party to the Indenture, and the Academy hereby agrees to carry out and perform all of its obligations under the Indenture as fully as if the Academy were a party to the Indenture. The Academy agrees not to take any action which would cause the Authority or the Trustee to violate the terms of the Indenture.

Section 10.13. Limitation of Rights. This Agreement is solely for the benefit of the Authority and the Academy and their successors and assigns and nothing contained in this Agreement shall be deemed to confer upon anyone other than the Authority and the Academy and

their successors and assigns any right to insist upon, to enforce the performance or observance of or to benefit from any of the obligations contained herein.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**MICHIGAN FINANCE AUTHORITY**

By: \_\_\_\_\_  
John Barton  
Its: Authorized Officer

**HURON ACADEMY**

By: \_\_\_\_\_  
Its: President

**EXHIBIT A**

**BOND PAYMENTS**

Schedule of Intercept Amounts Assigned

Pursuant to the Financing Agreement (Direct Payments)

<u>Date</u>	<u>Scheduled Principal Component</u>	<u>Scheduled Interest Component</u>	<u>Scheduled Fee Payment Component</u>	<u>Total</u>
-------------	--	---	--	--------------

[See Attached]

**EXHIBIT B**

**PROJECT DESCRIPTION**

The Project consists of the construction, equipping and furnishing of an approximately 23,150 square foot addition to the Academy's school facilities located at 36301 Utica Road, Clinton Township, Michigan, which will add 15 classrooms, a special education classroom, a multi-purpose room, a music and art room, library/computer lab, and a teachers lounge.

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
B-1

**EXHIBIT C**

**REQUISITION CERTIFICATE WITH ARCHITECT APPROVAL**

TO: U.S. Bank Trust Company, National Association (the "Trustee") and Michigan Finance Authority (the "Authority")

FROM: Huron Academy (the "Academy")

RE: \$ \_\_\_\_\_ Michigan Finance Authority Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024

This represents Requisition Certificate No. \_\_ in the total amount of \$ \_\_\_\_\_ to pay those costs of the Project detailed in the schedule attached.

The undersigned certifies that:

1. The expenditures for which moneys are requisitioned hereby represent proper charges against the Project Fund for the above-named Series 2024 Bonds, have not been included in a previous requisition and have been properly recorded on the Academy's books.
2. The moneys requisitioned hereby are not greater than those necessary to meet obligations due and payable or to reimburse the Academy for its funds actually advanced for the costs of the Project. The moneys requested do not include retention or other moneys not yet due or earned under construction contracts.
3. After payment of moneys hereby requested, there will remain in the Project Fund or otherwise available to the Academy sufficient funds available to complete the Project.
4. Previously or contemporaneously herewith, the Academy has submitted or is submitting to the Trustee: (i) a marked up mortgage title insurance commitment or title insurance policy from a title insurance company satisfactory to the Authority naming the Trustee as lender, without standard exceptions, in an amount not less than the Series 2024 Bonds Project Fund disbursements to date, insuring the Mortgage as a first lien in all respects, subject only to Permitted Encumbrances (as defined therein), together with copies of all necessary sworn statements and lien waivers required by the title company, and (ii) evidence of payment of fees relating thereto.
5. Delivered herewith are copies of invoices or other appropriate documentation supporting the payments or reimbursements requested.
6. No Default or Event of Default under any of the Bond Documents has occurred and continues.

FINANCING AGREEMENT  
Michigan Finance Authority  
Huron Academy, Series 2024 Bonds  
C-1

Capitalized terms used but not defined herein shall have the meanings given in the Financing Agreement and Indenture.

Executed this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**HURON ACADEMY**

By: \_\_\_\_\_  
Authorized Academy Representative

Approved by Consulting Architect:

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT D**

**REQUISITION CERTIFICATE WITHOUT ARCHITECT APPROVAL**

TO: U.S. Bank Trust Company, National Association (the "Trustee") and Michigan Finance Authority (the "Authority")

FROM: Huron Academy (the "Academy")

RE: \$ \_\_\_\_\_ Michigan Finance Authority Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024

This represents Requisition Certificate No. \_\_ in the total amount of \$ \_\_\_\_\_ to pay those costs of the Project detailed in the schedule attached.

The undersigned certifies that:

1. The expenditures for which moneys are requisitioned hereby represent proper charges against the Project Fund for the above-named Series 2024 Bonds, have not been included in a previous requisition and have been properly recorded on the Academy's books.
2. The moneys requisitioned hereby are not greater than those necessary to meet obligations due and payable or to reimburse the Academy for its funds actually advanced for the costs of the Project. The moneys requested do not include retention or other moneys not yet due or earned under construction contracts.
3. After payment of moneys hereby requested, there will remain in the Project Fund or otherwise available to the Academy sufficient funds available to complete the Project.
4. Previously or contemporaneously herewith, the Academy has submitted or is submitting to the Trustee: (i) a marked up mortgage title insurance commitment or title insurance policy from a title insurance company satisfactory to the Authority naming the Trustee as lender, without standard exceptions, in an amount not less than the Series 2024 Bonds Project Fund disbursements to date, insuring the Mortgage as a first lien in all respects, subject only to Permitted Encumbrances (as defined therein), together with copies of all necessary sworn statements and lien waivers required by the title company, and (ii) evidence of payment of fees relating thereto.
5. Delivered herewith are copies of invoices or other appropriate documentation supporting the payments or reimbursements requested.
6. No Default or Event of Default under any of the Bond Documents has occurred and continues.

7. This requisition does not relate to a construction cost requiring the use of an architect or State law does not require the use of an architect relating to such construction costs.

Capitalized terms used but not defined herein shall have the meanings given in the Financing Agreement and Indenture.

Executed this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**HURON ACADEMY**

By: \_\_\_\_\_  
 Authorized Academy Representative

**EXHIBIT E**

**COMPLETION CERTIFICATE**

TO: U.S. Bank Trust Company, National Association (the "Trustee") and Michigan Finance Authority (the "Authority")

FROM: Huron Academy (the "Academy")

RE: \$ \_\_\_\_\_ Michigan Finance Authority Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024

The undersigned does hereby certify:

1. The construction, if any, acquisition, equipping, refinancing and furnishing of the Project have been completed in accordance with the descriptions submitted to the Authority and in such manner as to conform with all requirements of the Financing Agreement, dated October 1, 2024, between the Authority and the Academy (the "Agreement"), as of the date of this Certificate (the "Completion Date"). All approvals and certificates necessary to the occupancy and use of the facilities comprising the Project as a public school academy have been received in writing and all conditions appertaining thereto have been met.

2. The Project costs have been paid in full except those not yet due and payable, or which are being contested, which are described below and for which sufficient moneys for payment thereof are being held in the Project Fund:

(a) Cost of the Project not yet due and payable:

<u>Description</u>	<u>Amount</u>
	\$ _____
	\$ _____
TOTAL	\$ _____

(b) Payments being contested:

<u>Description</u>	<u>Amount</u>
	\$ _____
	\$ _____
TOTAL	\$ _____



3. The moneys in the Project Fund in excess of the totals set forth in 2(a) and (b) above represent Surplus Bond Proceeds and the Trustee is hereby authorized and directed to transfer such moneys to the Bond Fund in accordance with Section 6.05 of the Agreement.

4. No event of default has occurred under the Agreement, nor has any event occurred which, with the giving of notice or lapse of time or both, shall become an event of default. Nothing has occurred to the knowledge of the Academy that would prevent the performance of its obligations under the Agreement.

This certificate is given without prejudice to any rights against third parties which exist at the date hereof or which may subsequently come into being.

Executed this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**HURON ACADEMY**

By: \_\_\_\_\_  
Authorized Academy Representative

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**APPENDIX F**

**FORM OF OPINION OF BOND COUNSEL**

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**Miller, Canfield, Paddock and Stone, P.L.C.**  
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QATAR

\_\_\_\_\_, 2024

**Michigan Finance Authority**  
Lansing, Michigan

We have acted as bond counsel to the Michigan Finance Authority (the “Authority”), in connection with the issuance by the Authority of its Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024 (the “Bonds”) in the aggregate principal amount of \$[Par]. In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Bonds are authorized to be issued by Executive Reorganization Order No. 2010-2 (Executive Order No. 2010-2), compiled at §12.194 of the Michigan Compiled Laws, Executive Reorganization Order No. 2002-3 (Executive Order No. 2002-3), compiled at §12.192 of the Michigan Compiled Laws, Executive Reorganization Order No. 2002-8 (Executive Order No. 2002-12), compiled at §12.193 of the Michigan Compiled Laws, and the Shared Credit Rating Act, Act 227, Public Acts of Michigan, 1985, as amended, a bond authorizing resolution adopted by the Authority on September 11, 2024 (the “Bond Resolution”) and a Trust Indenture, dated as of November 1, 2024 (the “Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), for the purpose of providing funds which will be used by the Authority to purchase the School Building and Site and Refunding Bond, Series 2024, dated \_\_\_\_\_, 2024 (the “Municipal Obligation”) issued by Huron Academy (the “Academy”), a public school academy organized under the laws of the State of Michigan (the “State”), pursuant to a Financing Agreement, dated as of November 1, 2024 (the “Financing Agreement”), between the Academy and the Authority. The Academy will use the proceeds of the Municipal Obligation to (i) refund a certain prior obligation of the Academy, (ii) finance all or a portion of the costs of the construction, equipping and furnishing of an addition to the Academy’s school facilities, including the costs of issuance of the Bonds and the Municipal Obligation; (iii) fund a deposit to a debt service reserve fund, and (iv) pay capitalized interest.

Under the Financing Agreement and the Municipal Obligation, the Academy has agreed to make Bond Payments (as defined in the Financing Agreement) to be used to pay when due the principal of, premium (if any) and interest on the Bonds. Such Bond Payments and other payments and revenues under the Financing Agreement and the Municipal Obligation (collectively, the “Security”) and the rights of the Authority under the Financing Agreement and the Municipal Obligation (except for certain “Unassigned Rights” as defined in the Indenture) are pledged and

assigned by the Authority to the Trustee as security for the Bonds pursuant to the Indenture. The Bonds are payable solely from the Security or any other security otherwise provided by the Academy.

As additional security for the Bonds, the Academy will execute and deliver (i) a State Aid Agreement, dated as of November 1, 2024 (the “State Aid Agreement”), among the Academy, the Authority, the State Treasurer, the Ferris State University Board of Trustees, and the Trustee; and (ii) a Mortgage, dated as of November 1, 2024 (the “Mortgage”), in favor of the Trustee whereby the real estate refinanced with the proceeds of the Bonds will be pledged to the Trustee to secure the Academy’s obligations under the Financing Agreement and the Municipal Obligation. We note that various issues concerning the enforceability of the Mortgage are addressed in the opinion of Shifman & Carlson, P.C., counsel to the Academy, provided to you, and we express no opinion herein as to the validity or enforceability of the Mortgage or any of the liens created thereby.

With respect to the valid existence of the Academy as a Michigan public school academy, the power of the Academy to enter into and perform its obligations under the Financing Agreement, the Municipal Obligation, the State Aid Agreement and any other documents to which it is a party (the “Academy Documents”), the due authorization, execution and delivery of the Academy Documents and the validity and enforceability of the Academy Documents against the Academy, we refer you to the opinion of Shifman & Carlson, P.C., counsel to the Academy, dated the date of this letter and addressed to the Authority, which opinion we have relied upon in rendering our opinion.

We have assumed the due authorization, execution and delivery by, and the binding effect upon and enforceability against, each of the parties to the Indenture, the Financing Agreement, the Municipal Obligation and the State Aid Agreement (other than the Authority).

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the Academy contained in the Indenture, the Financing Agreement, the Municipal Obligation and the State Aid Agreement, as applicable, the certified proceedings and other certifications of public officials and others furnished to us, including a nonarbitrage and tax compliance certificate of the Authority and the Academy and certifications furnished to us by or on behalf of the Authority and the Academy, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Authority is a public body corporate and politic validly existing under the laws of the State with the power to enter into and perform its obligations under the Indenture, the Financing Agreement and the State Aid Agreement and to issue the Bonds.
2. The Indenture, the Financing Agreement and the State Aid Agreement have been duly authorized, executed and delivered by the Authority and are valid and binding obligations of

the Authority enforceable upon the Authority in accordance with their respective terms. The Indenture creates a valid lien on the Security and on the rights of the Authority under the Financing Agreement and the Municipal Obligation (except the Unassigned Rights).

3. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and legally binding limited obligations of the Authority, payable solely from the Security.

4. The interest on the Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in this paragraph is subject to the condition that the Authority and the Academy comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Academy, on behalf of itself and the Authority, has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

5. The Bonds and the interest thereon are exempt from all taxation by the State or by any taxing authority within the State except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture, the Financing Agreement, the Municipal Obligation and the State Aid Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion regarding (i) the accuracy, adequacy or completeness of any disclosure document relating to the Bonds or (ii) the perfection or priority of the lien on the Security or other funds created by the Indenture. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

**MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.**

Michigan Finance Authority

-4-

\_\_\_\_\_, 2024

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

**MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.**

By: \_\_\_\_\_



**APPENDIX G**

**FORM OF OPINION OF THE ATTORNEY GENERAL**

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# FORM OF OPINION OF THE ATTORNEY GENERAL

\_\_\_\_\_, 2024

Michigan Finance Authority  
Richard H. Austin Office Building  
Lansing, Michigan

In my capacity as Attorney General of the State of Michigan (the “State”), I have caused to be examined a closing transcript and, in particular, the following documents relating to the issuance by the Michigan Finance Authority (the “Authority”) of bonds designated MICHIGAN FINANCE AUTHORITY PUBLIC SCHOOL ACADEMY LIMITED OBLIGATION REVENUE AND REVENUE REFUNDING BONDS (HURON ACADEMY PROJECT), SERIES 2024 in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”):

(1) Executive Order 2010-2, Executive Order 2002-3 and the Shared Credit Rating Act, 1985 PA 227, as amended, (the “Enabling Legislation”) which collectively created the Authority and empowered it to issue revenue bonds;

(2) a certified copy of the resolution adopted by the Michigan Finance Authority on September 11, 2024 authorizing the issuance of the Bonds (the “Resolution”);

(3) an executed counterpart of a trust indenture dated as of \_\_\_\_\_, 2024 (the “Indenture”), entered into between the Authority and U.S. Bank Trust Company, National Association (the “Trustee”);

(4) an executed counterpart of the financing agreement dated as of \_\_\_\_\_, 2024 (the “Financing Agreement”), entered into between the Authority and Huron Academy, a public school academy (the “Academy”);

(5) an executed counterpart of a state aid agreement dated as of \_\_\_\_\_, 2024 (the “State Aid Agreement”) among the Authority, the Trustee, the State Treasurer of the State of Michigan, Ferris State University Board of Trustees, and the Academy;

(6) a Nonarbitrage Certificate of the Authority;

(7) one Bond as executed, or a specimen thereof; and

(8) one bond issued by the Academy (the “Municipal Obligation”).

All terms not otherwise defined herein shall have meanings as set forth in the Indenture.

The Bonds are being issued for the purpose of purchasing the Academy's Municipal Obligation, as evidenced by the Financing Agreement. The Academy will use the proceeds of the Municipal Obligation to (i) refund the Academy's Public School Academy Revenue and Refunding Bonds, Series 2015, in the original principal amount of \$8,500,000 dated July 31, 2015, the proceeds of which were used to finance the costs of (1) the renovation of the Academy's school facility located in Sterling Heights, Michigan; and (2) the acquisition of vacant land and the construction and equipping of the Academy's school facility located in Clinton Township, Michigan (the "Utica Road Facilities") located at 36301 Utica Road, Clinton Township, Michigan; (ii) finance all or a portion of the costs of the construction, improvement, equipping and furnishing of an addition to the Utica Road Facilities; (iii) fund a debt service reserve fund; (iv) pay capitalized interest, if any; and (v) pay certain expenses incidental to the issuance of the Bonds and Municipal Obligation.

By the terms of the Financing Agreement, the Academy has contracted to make repayments at times and in amounts sufficient to enable the Authority to pay the principal of, premium, if any, and interest on the Bonds. Pursuant to the Indenture, the repayments to the Authority from the Academy and certain rights of the Authority (to the extent specified in the Indenture) have been assigned by the Authority to the Trustee as security for the Bonds. As additional security for the Bonds, the Academy will execute and deliver (i) the State Aid Agreement and (ii) a mortgage (the "Mortgage") in favor of the Trustee.

In rendering this opinion, I have relied upon the opinion, dated today, of Shifman & Carlson, P.C., counsel for the Academy, to the effect that the Financing Agreement and Mortgage are valid and binding obligations of the Academy and as to other matters set forth in the opinion. I express no opinion as to the validity or enforceability with respect to the Academy of the Financing Agreement, the Municipal Obligation, the Mortgage, or any liens created thereby. I have assumed the due authorization, execution, and delivery by, and the binding effect upon and the enforceability against, the Trustee of the Indenture. I have also assumed the accuracy of and relied upon the information and representations contained in the Financing Agreement and the certificates of the Academy (including specifically the representation that the Academy is a Michigan public school academy under Michigan law and the representation and covenant by the Academy that it will comply with Section 148 of the Internal Revenue Code of 1986, as amended (the "Code")) and I have made no independent investigation of the accuracy of the information and representations contained therein.

Based on the foregoing, I am of the opinion that, under existing law as presently interpreted:

1. The Authority is a public body corporate and politic of the State duly organized and validly existing under the Constitution and the laws of the State, including particularly the Enabling Legislation.

2. The Authority has the power under the laws of the State to adopt the Resolution. The Resolution has been duly adopted by the Authority, is in full force and effect in the form adopted, and is the valid and binding action of the Authority. The Indenture, the State Aid Agreement and the Financing Agreement have been duly authorized, executed, and delivered by the Authority and each constitutes a valid and binding agreement of the Authority enforceable in accordance with its respective terms.

3. The Bonds have been duly authorized, executed, and delivered by the Authority and, when duly authenticated, will constitute valid and binding limited obligations of the Authority enforceable in accordance with their terms, payable as to the principal of, premium, if any, and interest thereon solely from the security pledged therefor under the Indenture (which security includes the Municipal Obligation) or otherwise provided by the Academy.

4. The Bonds are limited obligations of the Authority. The Bonds, including the interest thereon, are not general obligations of the Authority and do not constitute obligations, debts, or liabilities of the State and do not constitute a charge against the general credit of the Authority or a charge against the credit or taxing power of the State. The Authority has no taxing power.

5. Interest on the Bonds (i) is excludable from gross income for federal income tax purposes, and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax. This opinion is subject to the condition that the Academy and the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, or continue to be, excluded from gross income for federal income tax purposes. The Academy has covenanted for itself and on behalf of the Authority to comply with each such requirement. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. I express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds and the interest thereon are exempt from all taxation provided by the laws of the State except estate taxes and taxes on gains realized from the sale, payment, or other disposition thereof.

Enforceability of the Bonds, the Financing Agreement, the State Aid Agreement and the Indenture, may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws affecting creditors' rights that have been or in the future will be enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion including the application of general principles of equity.

I express no opinion on the investment quality of the Bonds or whether the facts, figures, or financial information or other statements made respecting the Academy contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make those statements, in the light of the circumstances under which they were made, not misleading.

Sincerely,

DANA NESSEL  
Attorney General

\_\_\_\_\_  
Assistant Attorney General

**APPENDIX H**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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**CONTINUING DISCLOSURE AGREEMENT**

**between**

**HURON ACADEMY**

**and**

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,  
as Dissemination Agent**

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**Dated as of November 1, 2024**

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**Relating to:**

**\$12,660,000\***

**MICHIGAN FINANCE AUTHORITY  
Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds  
(Huron Academy Project), Series 2024**

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\* Preliminary, subject to change

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THIS CONTINUING DISCLOSURE AGREEMENT dated as of November 1, 2024 (this “Agreement”), is executed by and between HURON ACADEMY, a Michigan nonprofit corporation and public school academy (the “Academy”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, as Dissemination Agent (the “Dissemination Agent”).

## RECITALS

WHEREAS, this Agreement is being executed in connection with the issuance by the Michigan Finance Authority (the “Issuer”) of \$12,660,000\* in aggregate principal amount of its Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024 (the “Bonds”);

WHEREAS, the Bonds are being issued pursuant to a Trust Indenture dated as of November 1, 2024 (the “Indenture”), by and between the Issuer and U.S. Bank Trust Company, National Association, acting as trustee (the “Trustee”), to (i) refund the Academy’s Public School Academy Revenue and Refunding Bonds, Series 2015, in the original principal amount of \$8,500,000 dated July 31, 2015 (the “Prior Obligation”); the proceeds of which were used to finance the costs of the renovation of the Academy’s school facility located in Sterling Heights, Michigan and the acquisition of vacant land and the construction and equipping of the Academy’s school facility located in Clinton Township, Michigan (the “Facilities”) located at 36301 Utica Road, Clinton Township, Michigan (the “Property”); (ii) finance all or a portion of the costs of the construction, improvement, equipping and furnishing of an addition to the Facilities (the “Project”); (iii) fund a debt service reserve fund; and (iv) pay certain expenses incidental to the issuance of the Bonds and the Municipal Obligation;

WHEREAS, the Issuer will use the proceeds of the Bonds to purchase the Academy’s School Building and Site and Refunding Bond, Series 2024, dated the date of issuance of the Bonds (the “Municipal Obligation”) pursuant to a Financing Agreement dated as of November 1, 2024, by and between the Academy and the Issuer (the “Financing Agreement”); and

WHEREAS, to provide for the availability of certain information relating to the Bonds and the Academy and the security therefor and to permit the participating underwriter of the Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), which will enhance the marketability of the Bonds, the Academy and Dissemination Agent desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto DO HEREBY AGREE as follows:

Section 1. Definitions. Terms used with initial capital letters but not defined herein shall have the meanings given such terms in the Indenture or Financing Agreement, unless the context hereof clearly requires otherwise.

In addition, the following terms, when used herein, have the following respective meanings:

Bondowner or Owner: in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Trustee or any beneficial owner thereof, if such owner provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee.

Business Day means any day other than a Saturday, Sunday or (i) a day on which banks located in the city in which the principal corporate trust office of the Dissemination Agent is located are required or authorized to remain closed or (ii) a day the New York Stock Exchange is closed.

Construction Report means the report on the construction of the Project (as defined in the Indenture) required to be transferred by the Academy to the Dissemination Agent pursuant to Section 4(c) of this Agreement.

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\* Preliminary, subject to change

Disclosure Information: shall have the meaning assigned in Section 4 hereof.

Electronic Means: facsimile transmission, email as a portable document format (“pdf”) or other replicating image attached to an e-mail or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

EMMA: the Electronic Municipal Market Access system operated by the MSRB and the primary portal for complying with the continuing disclosure requirements of the Rule.

Financial Obligation: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Material Fact: a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy or sell the Bonds or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing, a “Material Fact” is also an event or condition that would be deemed “material” for purposes of the purchase or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event or condition.

MSRB: the Municipal Securities Rulemaking Board or any successor to its functions.

Official Statement: the Official Statement dated October \_\_, 2024, relating to the Bonds, as amended or supplemented to the date of issuance of the Bonds.

Participating Underwriter: Raymond James & Associates, Inc., the original underwriter of the Bonds required to comply with the Rule in connection with the primary offering of the Bonds for sale.

Person: any individual, corporation, partnership, limited liability company, limited liability partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Purchaser: any Person who purchases or otherwise receives all or any portion of the Bonds from an Owner.

Rating Agency: Standard & Poor’s Ratings Services, Moody’s Investors Service, Fitch Ratings Inc. or any of their successors or any other nationally recognized rating agency selected by the Academy.

Repository: EMMA, or any other filing system approved by the SEC.

Rule: Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), as in effect and interpreted from time to time.

SEC: the Securities and Exchange Commission or any successor to its functions governing state and municipal securities disclosure.

State: the State of Michigan.

Section 2. Representations. Each of the parties hereto represents and warrants to each other party that (i) it has all requisite power and authority to execute, deliver and perform this Agreement under applicable law and any resolutions or other actions of such party now in effect, (ii) it has duly authorized the execution and delivery of this Agreement, (iii) the execution and delivery of this Agreement and performance of the terms hereof by such party do not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument to which it is a party or by which it is bound, and (iv) to its best knowledge, no litigation, proceeding or administrative matter is pending to which it is a party, or overtly threatened, contesting or questioning the legal existence of such

party, its power and authority to enter into and perform this Agreement or its due authorization, execution and delivery of this Agreement.

The Academy represents and warrants that the Academy is the only “obligated person” in respect of the Bonds within the meaning of the Rule, and that it has complied with any and all of its previous undertakings under the Rule, except as set forth in the Official Statement.

Section 3. Appointment of Dissemination Agent as Agent. The Academy hereby appoints the Dissemination Agent as its agent for the purpose of disclosing the information described in this Agreement in the manner set forth herein.

The Dissemination Agent hereby accepts such appointment, subject to the terms and conditions of this Agreement.

Section 4. Financial Information and Reports of the Academy; Investor Call.

(a) *Annual Financial Information.* The Academy shall, on or before 150 days after the close of the Academy’s fiscal year (the “Fiscal Year”) in each year (the “Annual Submission Date”), commencing for the Fiscal Year ending June 30, 2025, deliver to the Dissemination Agent the financial information and operating data relating to the Academy for the preceding Fiscal Year as hereinafter specified (the “Annual Disclosure Information”), accompanied by a certificate executed by an authorized officer of the Academy stating in effect that such information is the Annual Disclosure Information required to be submitted under this Section 4(a). The Academy may change the Annual Submission Date if it changes its Fiscal Year, provided, however, that the new Annual Submission Date shall be not later than 150 days after the end of each new Fiscal Year and the first such new Annual Submission Date shall not be more than one year after the last preceding Annual Submission Date.

The Annual Disclosure Information shall comprise the following (subject to modification as provided in Sections 9 and 11 hereof):

(i) A complete audit report and opinion of an accountant selected by the Academy and the consolidated or combined financial statements of the Academy for such Fiscal Year, containing balance sheets as of the end of such Fiscal Year and a statement of activities for the Fiscal Year then ended prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board applicable to entities such as the Academy as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the Academy, noting the discrepancies therefrom and the effect thereof;

(ii) Commencing with the fiscal year ending June 30, 2025, the updates to the information contained in Appendix A to the Official Statement, as shown on Exhibit A hereto, including adjustments to reflect current State-mandated standardized tests and school accountability results; and

(iii) Commencing with the fiscal year ending June 30, 2025, the operating covenants, as shown on Exhibit A hereto; and

(iv) Commencing with the fiscal year ending June 30, 2028, and every five (5) years thereafter, the Capital Needs Assessment (as described in the Financing Agreement).

(b) *Quarterly Financial Information.* The Academy, on or before 45 days after the end of each fiscal quarter commencing with the fiscal quarter ending December 31, 2024 (the “Quarterly Submission Date”), is to deliver to the Dissemination Agent certain financial information relating to the Academy as hereinafter specified (the “Quarterly Disclosure Information”) together with a certificate of an authorized representative of the Academy in the form of Exhibit D hereto that such financial information is the Quarterly Disclosure Information required to be submitted under this Section 4(b). The Quarterly Disclosure Information shall comprise the following (subject to modification as provided in Sections 9 and 11 hereof):

(i) Unaudited consolidated or combined financial statements of the Academy for such fiscal quarter consisting of at least statements of financial position as of the end of such quarter and statements of activities for such fiscal quarter and year to date, each prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board, as in effect from time to time (subject to year-end adjustments and except such financial statements may omit footnotes that would be required by generally accepted accounting principles), consistently applied, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the Academy, noting the discrepancies therefrom and the effect thereof. Such financial statements shall be certified as true, correct and complete by the chief financial officer or any authorized administrator of the Academy to the best of his or her knowledge.

(ii) the following information or materials, if the information was received or the related events occurred during the quarter, or if the information has not been previously provided to the Trustee:

(A) any changes to the amount of state school aid allocated to the Academy that occurred during the quarter;

(B) notice of renewal, non-renewal, or termination of the Academy's Charter, or notice of non-compliance, or any similar notification, from either the State or the Academy's authorizing body, if any;

(C) any report from or provided to a Rating Agency;

(D) a copy of the Academy's adopted annual budget for the present Fiscal Year and a copy of revisions, if any, to the Academy's annual budget as approved by its governing board;

(c) *Construction Reports.* On or before the last day of each month while the Project is under construction, commencing the month next following December 2024, the Academy shall deliver to the Dissemination Agent, certain financial information relating to the construction of the Project as specified herein (the "Construction Reports"). In each case, the Construction Report may be submitted as a single document or as separate documents comprising a package. The Dissemination Agent has no duty or obligation to confirm that any information provided to it for filing with the Repository under this Section 4(c) meets the requirements herein or is complete.

The Construction Reports shall comprise the following (subject to modification as provided in Sections 9 and 11 hereof):

(i) a certificate of the Academy, in substantially the form of the certificate attached hereto as Exhibit F, as to the matters specified therein;

(ii) copies of the Draw Request(s) submitted since the most recently filed Construction Report (which copies may omit exhibits);

(iii) an AIA statement; and

(iv) the Inspecting Architect's or Owner's Representative report, comprising a brief description of construction activity for the applicable reporting period, including construction work performed on site during the reporting period, status of procurement of equipment, material issues with vendor performance (including delivery issues, performance problems or material costs overruns) and, if applicable, a brief narrative description of the reasons behind any material delays described therein.

(d) *Disclosure Information.* The Annual Disclosure Information and the Quarterly Disclosure Information are herein together referred to as the "Disclosure Information."

Any or all of the Disclosure Information may be incorporated, if it is updated as required hereby, by reference from other documents, including offering documents, which have been filed with the SEC or have been made available to the public on the web site of the MSRB. The Academy shall clearly identify in the Disclosure Information each document so incorporated by reference.

The Dissemination Agent has no duty or obligation to review the items provided to it hereunder for compliance with the requirements herein, including whether or not such items and/or attachments are complete. The Dissemination Agent may conclusively rely upon any written representation of the Academy required hereby.

If any part of the Disclosure Information can no longer be generated because the operations of the Academy have changed or been discontinued, such Disclosure Information need no longer be provided if the Academy includes in the Disclosure Information a statement to such effect, provided, however, that if such operations have been replaced by other operations of the Academy in respect of which data is not included in the Disclosure Information and the Academy determines that certain specified data regarding such replacement operations would be a Material Fact, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Agreement is amended as permitted by this Section 4(d) or Section 11 hereof, then the Academy shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(e) *Notice Events.* The Academy shall also provide notice to the Dissemination Agent in a timely manner not in excess of ten (10) Business Days after the occurrence of any of the following events or conditions (as used herein, the “Notice Events”):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary

course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(f) The Academy agrees to notify the Dissemination Agent promptly of: (1) any change in, or the withdrawal of, any rating of the Bonds by a Rating Agency of which it receives notice; (2) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and (3) any change in the Fiscal Year.

(g) The Disclosure Information and notice of Notice Events shall be provided in an electronic format as prescribed by the MSRB, together with such identifying information as is prescribed by the MSRB. The SEC has designated the EMMA system operated by the MSRB as the nationally recognized municipal securities information repository and the exclusive portal for complying with continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB or the SEC, the Dissemination Agent shall make all filings required under this Disclosure Agreement solely with EMMA.

(h) The Academy shall, at the request of any Beneficial Owner of at least \$1,000,000 of Bonds, hold, no more frequently than once per fiscal quarter, a conference call open to the Participating Underwriter, the Trustee and all Beneficial Owners of or potential investors in the Bonds. A Beneficial Owner may request such a call by submitting to the Academy and a request substantially in the form attached hereto as Exhibit B by Electronic Means. Within five (5) Business Days of receipt thereof, the Academy shall provide the Dissemination Agent with a notice of such call in substantially the form attached hereto as Exhibit C and the Dissemination Agent shall promptly make such notice available to the public on EMMA. Such call shall be held on a Business Day not later than eleven (11) Business Days following receipt of the request of Beneficial Owner and at a time selected by the Academy. Within two (2) Business Days following any such call, a recording thereof made by the Academy shall be made available by the Academy for a period of at least thirty (30) days on EMMA.

(i) Commencing with the fiscal year ending June 30, 2025, the Academy shall also hold an annual conference call within five (5) Business Days of the Annual Submission Date upon notice substantially in the form attached hereto as Exhibit C and recorded and posted as provided in paragraph 4(h) hereinabove.

(j) If the Issuer issues Additional Bonds upon the request of the Academy, pursuant to the terms and conditions provided in the Indenture and Financing Agreement, the Academy shall provide to the Dissemination Agent any additional information required by any continuing disclosure agreement for such Additional Bonds.

Section 5. Disclosure to Public. The Dissemination Agent is authorized and directed to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, together with such identifying information as is prescribed by the MSRB from time to time, the following information in a timely manner by electronic transmission, overnight delivery, mail or other means, as appropriate:

(a) the Annual Disclosure Information provided pursuant to Section 4(a) within 30 calendar days of receipt; the Quarterly Disclosure Information provided pursuant to Section 4(b) within 15 calendar days of receipt; and the Construction Reports provided pursuant to Section 4(c) within 15 calendar days of receipt;



(b) any Notice Event reported to the Dissemination Agent by the Academy under Section 4(e) hereof in the form provided by the Academy;

(c) notice of any of the following events of which an officer of the Dissemination Agent receives a written notice specifying the occurrence of any such events and copies of any documents referenced in any such notice:

(1) default in the payment of principal of or interest on any Bonds;

(2) the giving of the notice of redemption of any Bonds (other than mandatory sinking fund redemption) or the receipt by the Trustee of irrevocable instructions to give any such notice, together with a copy of such notice of redemption;

(3) the discharge of the Indenture or the defeasance of any Bonds under Article V of the Indenture;

(4) any change in, or the withdrawal of, any rating of the Bonds by a Rating Agency;

notice of the events described in this paragraph (c) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

(d) notice, in substantially the form attached as Exhibit E, regarding the failure of the Academy to provide the Disclosure Information required pursuant to Section 4(a), 4(b), and 4(c) hereof; and

(e) any amendment of or supplement to this Agreement entered into in accordance with Section 11 hereof, together with a copy of such amendment or supplement and any explanation provided by the Academy pursuant to Section 11 hereof; and

(f) the termination of the obligations of the Academy under this Agreement in respect of the Bonds pursuant to Sections 9 or 14 hereof;

(g) a change in accounting principles or a change in Fiscal Year reported to the Dissemination Agent by the Academy under Section 4(f) hereof; and

(h) notice, in substantially the form attached as Exhibit C, of any scheduled conference call.

The Dissemination Agent's obligation to deliver the information at the times and with the contents described above shall be limited to the extent the Academy has timely provided such information to the Dissemination Agent as required hereby. The Dissemination Agent may conclusively rely upon any written representation of the Academy required hereby.

The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Academy, apart from the relationship created by the Rule shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Academy. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Academy, the Beneficial Owner or any other party.

At the written request of the Academy, the Dissemination Agent shall, at the expense of the Academy, also furnish promptly to the MSRB a copy of any other information provided by the Academy for such dissemination.

Section 6. Disclosure to Bondowners and Rating Agencies. The Dissemination Agent is further authorized and directed to forward in an appropriate manner to any Rating Agency, upon request, then maintaining a rating of the Bonds and, at the expense of such Owner, to any Owner who requests in writing such information, any

information transmitted to the MSRB under Section 5 hereof, at the time of such transmission or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

Section 6A. Disclosure Incident to Resale. The Academy agrees to provide the Dissemination Agent and any Owner or Purchaser, upon request of such Owner or Purchaser and within five (5) Business Days of receipt by the Academy of such request, with (a) a very brief statement of the Academy's operations; and (b) the Academy's most recent balance sheet and financial statements, and similar financial statements for the two preceding Fiscal Years (audited to the extent reasonably available), which information shall be immediately posted on the MSRB website.

Section 7. Costs, Expenses and Indemnification of Dissemination Agent. (a) The Academy hereby agrees to pay reasonable compensation of the Dissemination Agent for, and all costs and expenses of the Dissemination Agent incurred in, performing the services required of it under this Agreement, whether as agent for the Academy or otherwise. The Academy hereby acknowledges and agrees that such compensation, costs and expenses constitute payments due under the Indenture, and all parties hereto acknowledge and agree that for the payment of such amounts and the indemnity granted in Subsection (b) of this Section 7 the Trustee shall have the right to use and apply trust money, to the extent provided in the Indenture.

(b) Article VII of the Indenture is hereby made applicable to the Dissemination Agent as if said Sections were (solely for this purpose) contained in this Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement. The obligations of the Academy under this Section shall survive resignation or removal of the Dissemination Agent for any reason and payment of the Bonds.

Section 8. Defaults and Remedies. Subject to Section 3 hereof, failure of the Academy or the Dissemination Agent to comply with any provisions of this Agreement on its part to be observed shall constitute a default hereunder and any party hereto aggrieved thereby, including the Owners of any Outstanding Bonds as third-party beneficiaries hereof, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained herein, including a proceeding for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable by any Person for any default hereunder and are hereby waived to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Agreement constitute a default or an Event of Default under the Bonds, the Indenture, or the Financing Agreement.

Section 9. Binding Effect; Bondowners as Third-Party Beneficiaries. This Agreement shall inure to the benefit of and shall be binding upon the Academy and the Dissemination Agent and their respective successors and permitted assigns, provided, however, that in the event another Person succeeds to the obligations and agreements of the Academy under this Agreement and the Academy is released from its obligations under the Indenture and the Financing Agreement, (i) the Academy shall be released from all further covenants and agreements contained herein, and (ii) the Disclosure Information may be modified to the extent permitted by Section 11 hereof. In addition, this Agreement shall constitute a third-party beneficiary contract for the benefit of the Owners from time to time of the Outstanding Bonds. Said third-party beneficiaries shall be entitled to enforce performance and observance by the parties of the respective agreements and covenants herein contained as fully and completely as if said third-party beneficiaries were parties hereto; provided that this Agreement (other than this Section 9) may be amended or supplemented from time to time without notice to or the consent of such third-party beneficiaries. Nothing in this Agreement, express or implied, shall give to any Person, other than the parties hereto and their respective successors and permitted assigns as provided herein, and the Owners of the Outstanding Bonds, any benefit or other legal or equitable right, remedy or claim under this Agreement.

Section 10. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

Section 11. Amendments. This Agreement (and the form and requirements of the Disclosure Information) may not be effectively amended or supplemented except in a writing executed by the parties hereto accompanied by an opinion of Bond Counsel, who may rely on certificates of the Academy and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or

status of the Academy or the type of business conducted by the Academy, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this Agreement as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule; and (iv) such amendment or supplement does not conflict with any provision of this Agreement not amended or supplemented thereby. This Agreement may be amended or supplemented from time to time without notice to or the consent of the Owners of any Bonds (except as provided in Section 9 hereof).

If the Disclosure Information is amended pursuant to this Section 11, the Academy shall provide to the Dissemination Agent, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

Section 12. Execution Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13. Governing Law; Construction. This Agreement shall be construed in accordance with the laws of the State without giving effect to the conflicts-of-law principles thereof. This Agreement is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

Section 14. Term. Except as provided in Section 7(b) hereof, this Agreement shall remain in effect so long as any Bonds are Outstanding.

IN WITNESS WHEREOF, HURON ACADEMY and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Dissemination Agent, have caused this CONTINUING DISCLOSURE AGREEMENT to be executed in their respective names, all as of the date first written above.

HURON ACADEMY

By \_\_\_\_\_

Its \_\_\_\_\_

U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, as Dissemination Agent

By \_\_\_\_\_

Its \_\_\_\_\_

[Signature of the Dissemination Agent – Continuing Disclosure Agreement]

**EXHIBIT A**

**FORM OF CERTIFICATE FOR ANNUAL FILING OF CERTAIN OPERATING COVENANTS**

Name of Issuer: Michigan Finance Authority

Name of Academy: Huron Academy

Name of Bond Issue: Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024

Dissemination Agent: U.S. Bank Trust Company, National Association

Date of Issuance: November \_\_, 2024

NOTICE IS HEREBY GIVEN that the Academy is providing to the Dissemination Agent the following operational information as required under Section 4(a) of the Continuing Disclosure Agreement dated as of November 1, 2024 (the “Disclosure Agreement”), between the Dissemination Agent and the Academy. Defined terms used in this certificate and not defined herein shall have the meanings granted to such terms in the Trust Indenture dated as of November 1, 2024 (the “Indenture”), by and between the Issuer and U.S. Bank Trust Company, National Association, acting as trustee (the “Trustee”), or the Financing Agreement by and between the Academy and the Issuer dated as of November 1, 2024 (the “Financing Agreement”).

This certificate is being provided by the Academy to the Dissemination Agent on a date which is [within][outside] of one hundred fifty (150) days from the end of the Academy’s prior fiscal year.

**OPERATING COVENANTS**

- **Operating Reserve Balance Covenant:** Pursuant to Section 7.17 of the Financing Agreement, as of June 30, 20\_\_, the Academy’s Cash on Hand was equal to \$\_\_\_\_\_, and such amount [is][is not] in compliance with the covenant to maintain an amount equal to at least 30 Days Cash on Hand.
- **Days Cash on Hand and Debt Service Coverage Ratio Covenants:** Pursuant to Section 7.18 of the Financing Agreement, as of June 30, 20\_\_ :
  - the Academy’s Days Cash on Hand was \_\_\_\_ days (Cash on Hand in the amount of \$\_\_\_\_\_, divided by the quotient of Operating Expenses for the 20\_\_ fiscal year of \$\_\_\_\_\_ for the fiscal year ended June 30, divided by 365); and
  - The Academy’s Net Income Available for Debt Service was \_\_\_\_\_.
- **Repair and Replacement Fund Requirement:** Pursuant to Section 4.12 of the Financing Agreement, as of June 30, 20\_\_, the amount on deposit in the Repair and Replacement Fund is \$\_\_\_\_\_.
- **Academic Performance:** Pursuant to Section 7.21 of the Financing Agreement, for the 20\_\_ - \_\_ school year, the Academy [has] [has not] been designated as a [Targeted Support and Improvement School] [or] [Comprehensive Support and Improvement School].

**INFORMATION CONTAINED IN APPENDIX A**

<b>Table 1 Historical and Projected Enrollment</b>										
<b>Grade</b>	<b>Historical*</b>					<b>Projected</b>				
	<b>20__ -</b>	<b>20__ -</b>	<b>20__ -</b>	<b>20__ -</b>	<b>20__ -</b>	<b>20__ -</b>	<b>20__ -</b>	<b>20__ -</b>	<b>20__ -</b>	<b>20__ -</b>
<b>Pre-K</b>										
<b>K</b>										
<b>1</b>										
<b>2</b>										
<b>3</b>										
<b>4</b>										
<b>5</b>										
<b>6</b>										
<b>7</b>										
<b>8</b>										
<b>K-8 TOTAL</b>										
<b>Pre-K-8 TOTAL</b>										

\*Historical data as of the Fall Count Date each school year.

*Source: The Academy and MDE.*

<b>Table 3 Historical and Current Waiting Lists</b>					
<b>Grade</b>	<b>20__ -</b>	<b>20__ -</b>	<b>20__ -</b>	<b>20__ -</b>	<b>20__ -</b>
<b>Pre-K</b>					
<b>K</b>					
<b>1</b>					
<b>2</b>					
<b>3</b>					
<b>4</b>					
<b>5</b>					
<b>6</b>					
<b>7</b>					
<b>8</b>					
<b>TOTAL</b>					

*Source: The Academy, as of the Fall Count Date of each school year.*

<b>Table 4 Student Retention</b>					
<b>Grades</b>		<b>20__-__</b>	<b>20__-__</b>	<b>20__-__</b>	<b>20__-__</b>
PreK to K					
K to 1					
1 to 2					
2 to 3					
3 to 4					
4 to 5					
5 to 6					
6 to 7					
7 to 8					
<b>AVERAGE</b>					
<i>Source: The Academy</i>					

<b>Table 6 Full-Time-Equivalent Faculty</b>					
	<b>20__-__</b>	<b>20__-__</b>	<b>20__-__</b>	<b>20__-__</b>	<b>20__-__</b>
Administrators					
Teachers					
Paraprofessionals/Aides					
Non-Instructional					
<b>Total FTE Staff</b>					
<p>Full-Time Equivalency (“FTE”) - Divides the amount of time employed by the time normally required for a full-time position within a given school district. For example, most full time employees are counted as 1.0 FTE while those who work a half-time schedule would be counted as 0.5 FTE.</p> <p><i>Source: MDE.</i></p>					



<b>Table 7</b>					
<b>Faculty Retention</b>					
	<b>20 -</b>	<b>20 -</b>	<b>20 -</b>	<b>20 -</b>	<b>20 -</b>
<b>Faculty Retention</b>	___%	___%	___%	___%	___%
<i>Source: The Academy</i>					

<b>Table 13</b>					
<b>School Index Overview</b>					
		<b><u>2020-21</u></b>	<b><u>2021-22</u></b>	<b><u>2022-23</u></b>	<b><u>2023-24</u></b>
<b>Overall Index</b>					
<b>Growth Index</b>					
<b>Graduation Rate Index</b>					
<b>School Quality and Student Success Index</b>					
<b>Support Category</b>					
<b>Proficiency Index</b>					
<b>English Learner Progress Index</b>					
<b>Assessment Participation Index</b>					
<i>Source: MDE.</i>					

**Table 17**

**20\_\_ - \_\_ School Grades and Rankings Report**

*If the School Grades and Rankings Report is no longer used, please provide the currently applicable accountability metrics, if any others are used in addition to the School Index Scores in Table 13.*

<p><b>Proficiency:</b> [Insert Grade]</p> <p>Rate of Students reaching proficiency on state math and ELA Assessments.</p> <table border="1"> <tr> <td>Combined Subjects</td> <td>[ ]%</td> </tr> <tr> <td>English Language Arts</td> <td>[ ]%</td> </tr> <tr> <td>Math</td> <td>[ ]%</td> </tr> </table>	Combined Subjects	[ ]%	English Language Arts	[ ]%	Math	[ ]%	<p><b>Growth:</b> [Insert Grade]</p> <p>Rate of students on track to reach or maintain proficiency on state math and ELA assessments within 3 years.</p> <table border="1"> <tr> <td>Combined Subjects</td> <td>[ ]%</td> </tr> <tr> <td>ELA</td> <td>[ ]%</td> </tr> <tr> <td>Math</td> <td>[ ]%</td> </tr> </table>	Combined Subjects	[ ]%	ELA	[ ]%	Math	[ ]%
Combined Subjects	[ ]%												
English Language Arts	[ ]%												
Math	[ ]%												
Combined Subjects	[ ]%												
ELA	[ ]%												
Math	[ ]%												
<p><b>Graduation:</b> [Insert Grade]</p> <p>The highest rate among the 4, 5, or 6-year graduation rate, as defined by the percentage of students graduating with a high school diploma.</p> <table border="1"> <tr> <td>4-Year Graduation Rate</td> <td>N/A</td> </tr> <tr> <td>5-Year Graduation Rate</td> <td>N/A</td> </tr> <tr> <td>6-Year Graduation Rate</td> <td>N/A</td> </tr> </table>	4-Year Graduation Rate	N/A	5-Year Graduation Rate	N/A	6-Year Graduation Rate	N/A	<p><b>English Learning Progress:</b> [Insert Grade]</p> <p>Rate of English Learner students proficient or making progress toward proficiency on the English language proficiency assessment.</p>						
4-Year Graduation Rate	N/A												
5-Year Graduation Rate	N/A												
6-Year Graduation Rate	N/A												
<p><b>Performance Among Peers:</b> [Insert Grade]</p> <p>Comparison values represent how close a school's proficiency rate is from its peers' average proficiency rate in terms on standard deviations. Per average is represented by a value of 0.</p> <p>[Insert Performance Among Peers Value]</p>	<p><b>Student Subgroup Performance:</b> [Insert Grade]</p> <p>Comparison of the Academy's student subgroup proficiency to the statewide corresponding subgroup proficiency. Lower values means the school is close to or above the state average; higher values mean the school is below the state average. Table below shows student subgroup performance for all students.</p> <p>[Insert Student Subgroup Performance Value]</p>												
<p><b>Attendance:</b> [Insert Grade]</p> <p>Rate of students attending 90% or more of possible school days.</p> <table border="1"> <tr> <td>Not Chronically Absent</td> <td>[ ]%</td> </tr> </table>	Not Chronically Absent	[ ]%	<p><b>Assessment Participation:</b> [Insert Grade]</p> <p>Rate of Students participating in state math and ELA assessments.</p> <table border="1"> <tr> <td>Participation Rate</td> <td>[ ]%</td> </tr> </table>	Participation Rate	[ ]%								
Not Chronically Absent	[ ]%												
Participation Rate	[ ]%												
<p><i>Source: MDE.</i></p>													

Dated: \_\_\_\_\_

HURON ACADEMY

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT B**

**REQUEST FOR CONFERENCE CALL**

Huron Academy  
36301 Utica Road  
Clinton Township, Michigan 48035  
Attn: [ ]  
Email: [ ]  
Phone: [ ]

CS Partners, Inc.  
[ ]  
[ ]  
Attn: [ ]  
Email: [ ]  
Phone: [ ]

U.S. Bank Trust Company, National Association  
Global Corporate Trust  
111 Fillmore Avenue East  
St. Paul, MN 55107-1402  
Phone: (800) 934-6802  
Fax: (612) 466-5400  
Attn: Bondholder Services (EP-MN-WS2N)  
Phone: (651) 466-6307  
Facsimile: (651) 466-7429  
Email: [christine.robinette@usbank.com](mailto:christine.robinette@usbank.com)

The undersigned Beneficial Owner of at least \$1,000,000 of Bonds, as defined in the Continuing Disclosure Agreement dated as of November 1, 2024, between Huron Academy and U.S. Bank Trust Company, National Association, hereby requests a conference call pursuant to Section 4(h) of such agreement.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

**EXHIBIT C**

Notice of Investor Call  
To the holders of

Michigan Finance Authority  
\$12,660,000\* Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds  
(Huron Academy Project), Series 2024  
dated as of November \_\_, 2024

CUSIP: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that, pursuant to Section [4(h)] [4(i)] of the Continuing Disclosure Agreement dated as of November 1, 2024, between Huron Academy (the “Academy”) and U.S. Bank Trust Company, National Association, as Dissemination Agent, a conference call will be held on \_\_\_\_\_, 20\_\_ at \_\_\_\_\_ Detroit, Michigan Eastern time, such call to last no longer than one (1) hour, which call shall be open to all holders or potential holders of the above-referenced bonds, the agenda for which call shall be limited to the below-referenced matters:

- current enrollment and waitlist data
- academic achievement, including standardized test scores
- Academy financial matters
- matters related to administration or governance of the Academy
- State funding levels
- matters relating to the Academy’s charter contract
- Project construction

The call will be recorded and, within two (2) Business Days thereof, such recording shall be made available by the Academy for a period of at least thirty (30) days on the MSRB website.

Telephone Number: \_\_\_\_\_  
Access Code: \_\_\_\_\_

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\* Preliminary, subject to change

**EXHIBIT D**

**FORM OF CERTIFICATE FOR FILING OF QUARTERLY DISCLOSURE INFORMATION**

Name of Issuer: Michigan Finance Authority  
Name of Academy: Huron Academy  
Name of Bond Issue: Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024  
Dissemination Agent: U.S. Bank Trust Company, National Association  
Date of Issuance: November \_\_, 2024

NOTICE IS HEREBY GIVEN that the Academy is providing to the Dissemination Agent the Quarterly Disclosure Information as required under Section 4(b) of the Continuing Disclosure Agreement dated as of November 1, 2024 (the "Disclosure Agreement"), between the Dissemination Agent and the Academy.

In addition to the quarterly financial reports, the Academy has attached the following (mark applicable items):

- \_\_\_\_\_ Any changes to the amount of state school aid allocated to the Academy that occurred during the quarter;
- \_\_\_\_\_ Notice of renewal, non-renewal, or termination of the Academy's Charter, or notice of non-compliance, or any similar notification, from either the State or the Academy's authorizing body, if any;
- \_\_\_\_\_ Any report from or provided to a Rating Agency;
- \_\_\_\_\_ A copy of the Academy's adopted annual budget for the present Fiscal Year and a copy of revisions, if any, to the Academy's annual budget as approved by its governing board;

The Quarterly Disclosure Information is true, correct and complete to the best of my knowledge.

The undersigned is the Authorized Representative of the Academy and has knowledge of the facts set forth in this Certificate.

Dated: \_\_\_\_\_

HURON ACADEMY

By \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT E**

**NOTICE TO REPOSITORIES OF FAILURE BY ACADEMY  
TO FILE ANNUAL OR QUARTERLY REPORT**

Name of Issuer: Michigan Finance Authority  
Name of Academy: Huron Academy  
Name of Bond Issue: Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024  
Dissemination Agent: U.S. Bank Trust Company, National Association  
Date of Issuance: November \_\_, 2024

NOTICE IS HEREBY GIVEN that the Academy has not provided [a][an] [Annual Report][Quarterly Report][Construction Report] with respect to the above-named Series 2024 Bonds as required by the Continuing Disclosure Agreement, dated as of November 1, 2024, between the undersigned Dissemination Agent and the Academy. The Academy has indicated that it anticipates that the [Annual Report] [Quarterly Report] [Construction Report] will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,**  
as Dissemination Agent

By \_\_\_\_\_  
Authorized Signatory

cc: Raymond James & Associates, Inc.  
Huron Academy

**EXHIBIT F**

**CONSTRUCTION REPORT FORM**

Name of Issuer: Michigan Finance Authority

Name of Academy: Huron Academy

Name of Bond Issue: Public School Academy Limited Obligation Revenue and Revenue Refunding Bonds (Huron Academy Project), Series 2024

Dissemination Agent: U.S. Bank Trust Company, National Association

Date of Issuance: November \_\_, 2024

NOTICE IS HEREBY GIVEN that the Academy is providing to the Dissemination Agent the following Construction Report information as required under Section 4(c) of the Continuing Disclosure Agreement, dated as of November 1, 2024 (the "Disclosure Agreement"), between the Dissemination Agent and the Academy. The Disclosure Agreement requires that the Academy provide this information to the Dissemination Agent on or before the last day of every month while the Project is under construction, commencing the month next following December 2024. Defined terms used in this certificate and not defined herein shall have the meanings granted to such terms in the Trust Indenture dated as of November 1, 2024 (the "Indenture"), by and between the Issuer and U.S. Bank Trust Company, National Association, acting as trustee (the "Trustee"), or the Financing Agreement by and between the Academy and the Issuer dated as of November 1, 2024 (the "Financing Agreement").

The information contained below is unaudited.

As of the date below:

- (a) the Project is [ahead of] [behind] the expected construction timeline by an estimated \_\_\_\_ days;
- (b) the Project is [on budget] [under budget] [over budget by \$\_\_\_\_\_] compared to the expected construction budget;
- (c) the Project is \_\_\_\_\_ percent complete; and
- (c) \_\_\_\_\_ percent of the dollar amount of the Series 2024 Bond proceeds allocable to the Project have been expended (\$\_\_\_\_\_ of the Series 2024 Bond proceeds) as of the date of this certificate.

The Academy hereby provides the Dissemination Agent with the information checked below:

<u>Attached</u>	
_____	Copy of submitted Draw Request(s) (without exhibits)
_____	AIA Statement
_____	Inspecting Architect's or Owner's Representative's report as to the matters described in Section 4(c)(iv) of the Disclosure Agreement

Dated: \_\_\_\_\_

HURON ACADEMY

By \_\_\_\_\_  
 Its \_\_\_\_\_

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**APPENDIX I**  
**BOOK-ENTRY-ONLY SYSTEM**

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## APPENDIX I

### BOOK-ENTRY-ONLY SYSTEM

*The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2024 Bonds, payment of principal, premium, if any, and interest with respect to the Series 2024 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2024 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

DTC will act as securities depository for the Series 2024 Bonds. The Series 2024 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series of the Series 2024 Bonds and deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2024 Bonds on DTC's records. The ownership interest of each actual purchaser of each of the Series 2024 Bonds (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2024 Bonds, except in the event that use of the book-entry system for the Series 2024 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2024 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2024 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2024 Bonds may wish to ascertain that the nominee holding the Series 2024 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the Series 2024 Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of a maturity of each series of the Series 2024 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2024 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Academy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Academy or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Academy, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Academy or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2024 Bonds at any time by giving reasonable notice to the Academy or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2024 Bonds are required to be printed and delivered.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2024 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDER OF THE SERIES 2024 BONDS OR REGISTERED OWNERS OF THE SERIES 2024 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2024 BONDS.

The Academy can make no assurances that DTC will distribute payments of principal of, redemption premium, if any, or interest on the Series 2024 Bonds to the Direct Participants, or that Direct and Indirect Participants will distribute payments of principal of, redemption price, if any, or interest on the Series 2024 Bonds or redemption notices to the Beneficial Owners of such Series 2024 Bonds or that they will do so on a timely basis, or that DTC or any of its Participants will act in a manner described herein. The Academy is not responsible or liable for the failure of DTC to make any payment to any Direct Participant or failure of any Direct or Indirect Participant to give any notice or make any payment to a Beneficial Owner in respect to the Series 2024 Bonds or any error or delay relating thereto.

The rights of holders of beneficial interests in the Series 2024 Bonds and the manner of transferring or pledging those interests is subject to applicable State law. Holders of beneficial interests in the Series 2024 Bonds may want to discuss the manner of transferring or pledging their interest in the Series 2024 Bonds with their legal advisors.

The Academy may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Series 2024 Bonds will be printed and delivered. Thereafter, the Series 2024 Bonds may be transferred and exchanged as described in the Indenture. See “APPENDIX F – FORMS OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT.”

For every transfer of ownership interests in the Series 2024 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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**HuronAcademy** 