PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
MINNESOTA

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2026

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CHARTER SCHOOL NO. 4263
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INTRODUCTORY SECTION

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2026

SCHOOL BOARD

Name	Term on Board Expires on	Board Position
Mr. Jeramie Steinert	June 30, 2028	Board Chair
Ms. Nichelle Henderson	June 30, 2028	Board Secretary
Mr. Thomas Schmidt	June 30, 2029	Board Treasurer
Ms. Rose Pollard	June 30, 2027	Director
Mr. Ambrose Russell	June 30, 2028	Director
Ms. Sandra Gordon-Mai Johnson	June 30, 2029	Director

ADMINISTRATION

Name	Position
Ms. Nicole Nelson	Ex-Officio, Director
Wilderness Pinna	Financial Management
District Offices	Progeny Academy Charter School No. 4263 5929 Brooklyn Boulevard, Brooklyn Center, MN 55429

FINANCIAL SECTION

Thomas & Company, CPA, PA
Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Progeny Academy
Charter School No. 4263
Brooklyn Center, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Progeny Academy Charter School No. 4263 (the school) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the school's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the school, as of June 30, 2026, 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 Progeny 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.

Emphasis of Matter — Change in Accounting Principle

As discussed in Note 2.W to the financial statements, the school adopted the provisions of GASB Statement No. 103, Financial Reporting Model Improvements, for the year ended June 30, 2026. Adoption affected the organization of management's discussion and analysis, the presentation of unusual or infrequent items, and the variance columns and explanations in the budgetary comparison schedules. It did not change beginning net position or beginning fund balances. Our opinions are 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 Progeny 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the school's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the school's ability to continue as a going concern for a reasonable period.

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, the Budgetary Comparison Schedule – General Fund, the Budgetary Comparison Schedule – Food Service Fund, the TRA Schedule of School's Proportionate Share of the Net Pension Liability, the TRA Schedule of School's Contributions, the GERF Schedule of School's Proportionate Share of the Net Pension Liability, and the GERF Schedule of School's Contributions, as listed 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 Progeny Academy's basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purpose of additional analysis and is not a required part of the basic financial statements of the school. 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 Uniform Financial Accounting and Reporting Standards Compliance Table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2026 on our consideration of Progeny 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 Progeny 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 Progeny Academy's internal control over financial reporting and compliance.



Thomas & Company, CPA, PA
Cooper City, Florida
November 13, 2026

REQUIRED SUPPLEMENTARY INFORMATION

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2026

This section of Progeny Academy – Charter School No. 4263's annual financial report presents our discussion and analysis of the Progeny Academy's financial performance during the fiscal year that ended June 30, 2026. It should be read in conjunction with the Charter School's financial statements which immediately follow this discussion. Comparative information for the current year (2025-2026) and the prior year (2024-2025) is presented throughout.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*, which the school implemented for the year ended June 30, 2026, this discussion is organized into five sections: I. Overview of the Financial Statements; II. Financial Summary; III. Detailed Analyses; IV. Significant Capital Asset and Long-Term Financing Activity; and V. Currently Known Facts, Decisions, or Conditions.

I. OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the school:

- The first two statements are School-wide financial statements that provide both short-term and long-term information about the school's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the school's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

***Government-wide financial statements*:** Government-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school's assets, deferred outflows of resources, deferred inflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the school's net position and how they have changed. Net position – the difference between the school's assets, deferred outflows of resources, deferred inflows of resources, and liabilities – is one way to measure the school's financial health or position.

- Over time, increases or decreases in the school's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the school you need to consider additional nonfinancial factors such as changes in the school's creditworthiness and the condition of school buildings and other facilities.

I. OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

In the government-wide financial statements the school's activities are shown in one category:
Governmental activities – All of the School's basic services are included here, such as regular and special education, transportation, administration and food services. State aids finance most of these activities.

***Fund financial statements*:** The fund financial statements provide more detailed information about the school's funds – focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The school may establish other funds to control and manage money for a blended component unit.

The school has one type of fund:
Governmental funds – All of the School'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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

The following table summarizes the significant differences between the two presentations:

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

II. FINANCIAL SUMMARY

Financial Highlights

- Net position decreased $170,821 to a deficit of $19,709 at June 30, 2026.
- Total revenues were $1,744,820, a decrease of $171,821 (9%), while total expenses were $1,915,641, an increase of $174,247 (10%).
- Combined governmental fund balance decreased $121,969 to $328,592. The General Fund balance decreased $138,040 to $266,082, approximately 14.84% of annual General Fund expenditures.

Net Position

The Charter School's net position shows a deficit of $19,709 on June 30, 2026, a decrease of $170,821 from the prior year (see Table A-1).

Table A-1
The School's Net Position

	Governmental Activities as of June 30,		Percentage
	2026	**2025**	**Change**
Assets			
Current And Other Assets	$ 438,475	$ 537,484	-18.42%
Total Assets	**438,475**	**537,484**	-18.42%
Deferred Outflows of Resources	**215,864**	**270,578**	-20.22%
Total Assets and Deferred Outflows of Resources	**654,339**	**808,062**	-19.02%
Liabilities and Net Position			
Other Liabilities	109,883	86,923	26.41%
Long-term Liabilities	405,952	410,205	-1.04%
Total Liabilities	**515,835**	**497,128**	3.76%
Deferred Inflows of Resources	**158,213**	**159,822**	**-1.01%**
Net Position			
Restricted	199,886	149,038	34.12%
Unrestricted	(219,595)	2,074	-10687.99%
Total Net Position	**(19,709)**	**151,112**	-113.04%
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 654,339**	**$ 808,062**	-19.02%

II. FINANCIAL SUMMARY (CONTINUED)

Net Position (Continued)

Current assets decreased $99,009 (18.42%), primarily from a $53,406 decrease in cash and investments and a $49,904 decrease in amounts due from the Minnesota Department of Education. Long-term liabilities decreased $4,253, as a $16,502 decrease in the net pension liability more than offset $12,249 of compensated absences recorded under GASB Statement No. 101. Restricted net position increased $50,848 to $199,886 and consists of restricted General Fund balances of $137,376 and Food Service Fund restricted fund balance of $62,510. Unrestricted net position decreased $221,669 to a deficit of $219,595, mainly because General Fund expenditures exceeded revenues and the school recorded the $12,249 compensated-absences liability, which is a claim on unrestricted resources.

Changes in Net Position

The school's total government-wide revenues were $1,744,820 for the year ended June 30, 2026. State Aid Grants accounted for 58% of total revenue while Operating Grants and Contributions accounted for 41% for the year. The remaining 1% came from Other General Revenues. Expenses exceeded Revenue by $170,821, compared to revenues exceeding expenses by $175,247 in the prior year. The principal reasons for the change are:

- State aid grants decreased $129,989 primarily because there is a decline in state general education aid.
- Operating grants and contributions increased $110,401, primarily because special education aid increased $106,326 to $381,168 to fund higher special education costs, partially offset by a $6,115 decrease in sites and buildings grants because no Long-Term Facilities Maintenance (LTFM) aid was received in the current year.
- Other general revenue decreased $152,233, primarily due to the decrease of miscellaneous local revenue caused by the non recurring $142,387 ERC recognized in FY2025.
- Special education instruction expenses increased $118,134 (48.8%) while Pupil support services expenses increased $63,853 (22.1%).

II. FINANCIAL SUMMARY (CONTINUED)

Table A-2 is a condensed version of the School's Change in Net Position:

Table A-2
Change in Net Position

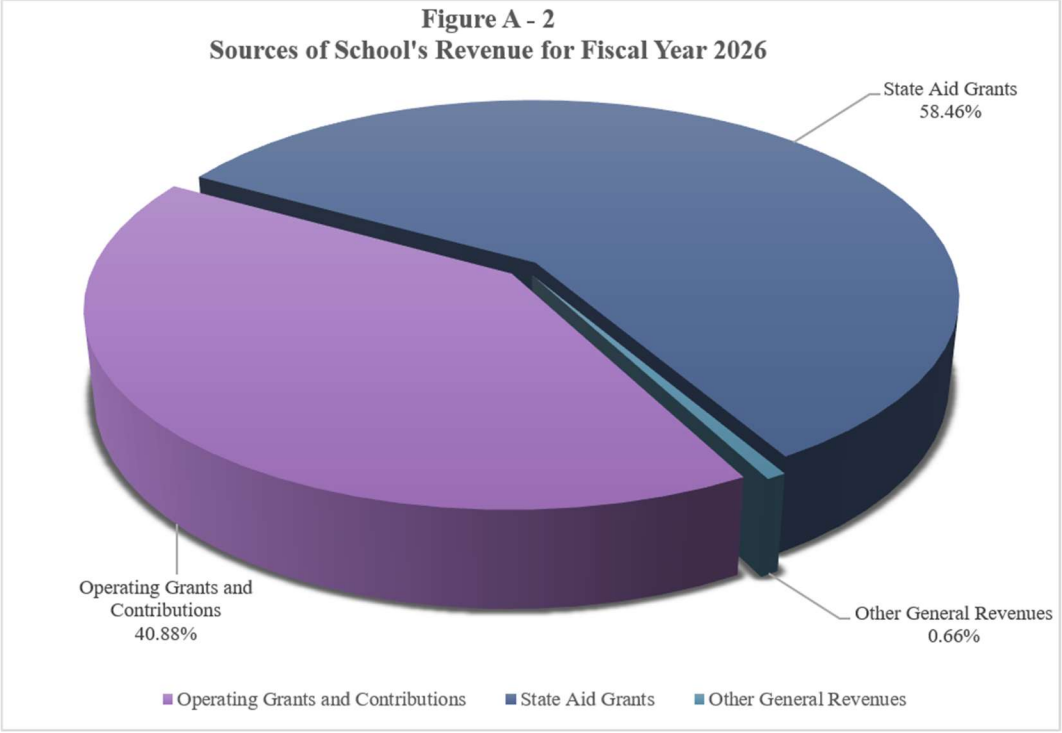
	Governmental Activities for the Fiscal Year Ended June 30, 2026	2025	Percentage Change
Revenues			
Program Revenues:			
Operating Grants and Contributions	$ 713,321	$ 602,920	18.3%
General Revenues:			
State Aid Grants	1,020,065	1,150,054	-11.3%
Other General Revenues	11,434	163,667	-93.0%
Total Revenues	**1,744,820**	**1,916,641**	-9.0%
Expenses			
Administration	95,534	101,922	-6.3%
District Support Services	200,125	207,954	-3.8%
Regular Instruction	620,055	608,271	1.9%
Special Education Instruction	360,219	242,085	48.8%
Instructional Support Services	2,934	5,196	-43.5%
Pupil Support Services	353,358	289,505	22.1%
Sites And Buildings	192,151	189,312	1.5%
Fiscal and Other Fixed Cost Programs	17,804	14,480	23.0%
Food Service	73,461	82,669	-11.1%
Total Expenses	**1,915,641**	**1,741,394**	10.0%
Excess (deficiency) before unusual/infrequent items and transfers	**(170,821)**	**175,247**	
Unusual or Infrequent Item	-	-	
Change in Net Position	**(170,821)**	**175,247**	
Net Position – Beginning of the year	151,112	(24,135)	
Net Position – End of the year	**$ (19,709)**	**$ 151,112**	

II. FINANCIAL SUMMARY (CONTINUED)

Changes in Net Position (Continued)

The total cost of all programs and services was $1,915,641. Expenses exceeded total revenues, resulting in a $170,821 decrease in net position. The decrease in net position is mostly attributable to the $152,233 decrease in other general revenues and the $129,989 decrease in state aid grants compared to fiscal year 2025, while expenses increased $174,247.

The cost of all governmental activities this year was $1,915,641. Of this amount, $713,321 was funded by operating grants and contributions from federal and state governments. The resulting net cost of services of $1,202,320 (Table A-3) was funded by general revenues of $1,031,499, consisting primarily of unrestricted state aid, together with other general revenues.



II. FINANCIAL SUMMARY (CONTINUED)

Changes in Net Position (Continued)

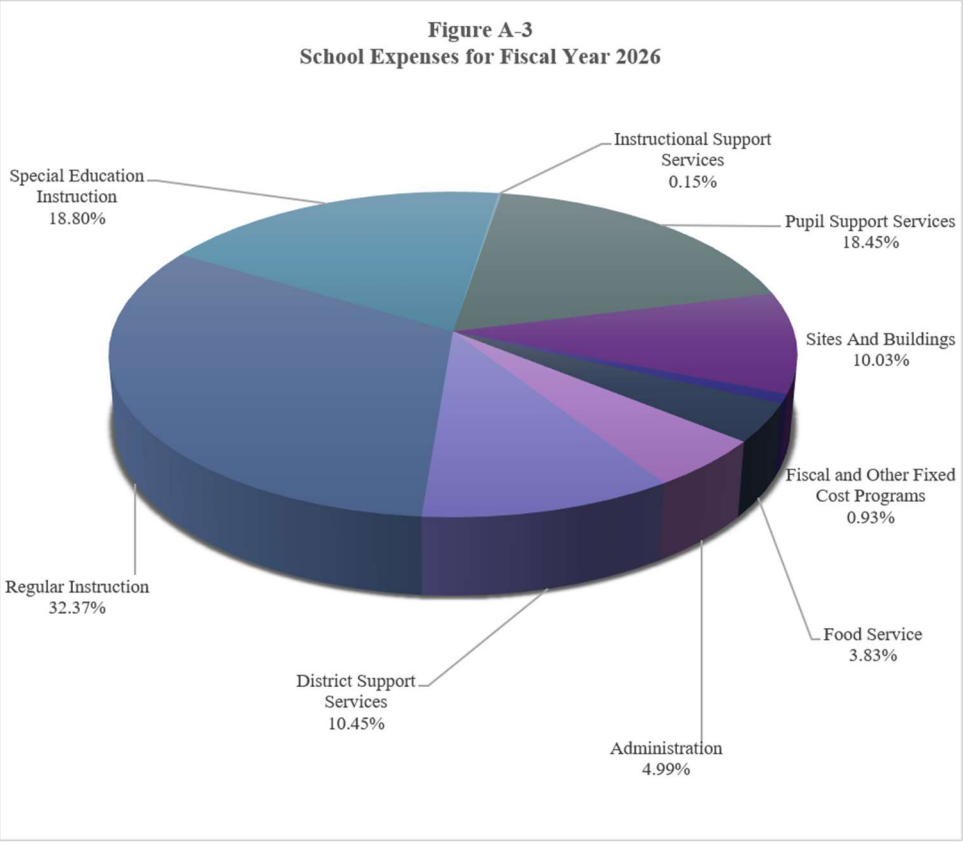


Table A-3
Program Expenses and Net Cost of Services for Fiscal Year 2026

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2026	2025	Change	2026	2025	Change
Administration	$ 95,534	$ 101,922	-6.27%	$ 95,534	$ 101,922	-6.27%
District Support Services	200,125	207,954	-3.76%	200,125	207,954	-3.76%
Regular Instruction	620,055	608,271	1.94%	489,801	496,584	-1.37%
Special Education Instruction	360,219	242,085	48.80%	(20,949)	(32,757)	-36.05%
Instructional Support Services	2,934	5,196	-43.53%	2,934	5,196	-43.53%
Pupil Support Services	353,358	289,505	22.06%	351,283	289,505	21.34%
Sites and Buildings	192,151	189,312	1.50%	81,859	72,905	12.28%
Fiscal and Other Fixed Cost Programs	17,804	14,480	22.96%	17,804	14,480	22.96%
Food Service	73,461	82,669	-11.14%	(16,071)	(17,315)	-7.18%
Total	**$1,915,641**	**$ 1,741,394**		**$1,202,320**	**$1,138,474**	

III. DETAILED ANALYSES

Governmental Funds

Governmental fund revenues totaled $1,744,111 and expenditures totaled $1,866,080, resulting in an excess of expenditures over revenues of $121,969. As a result, combined fund balance decreased $121,969 to $328,592 from $450,561 in the prior year.

General Fund

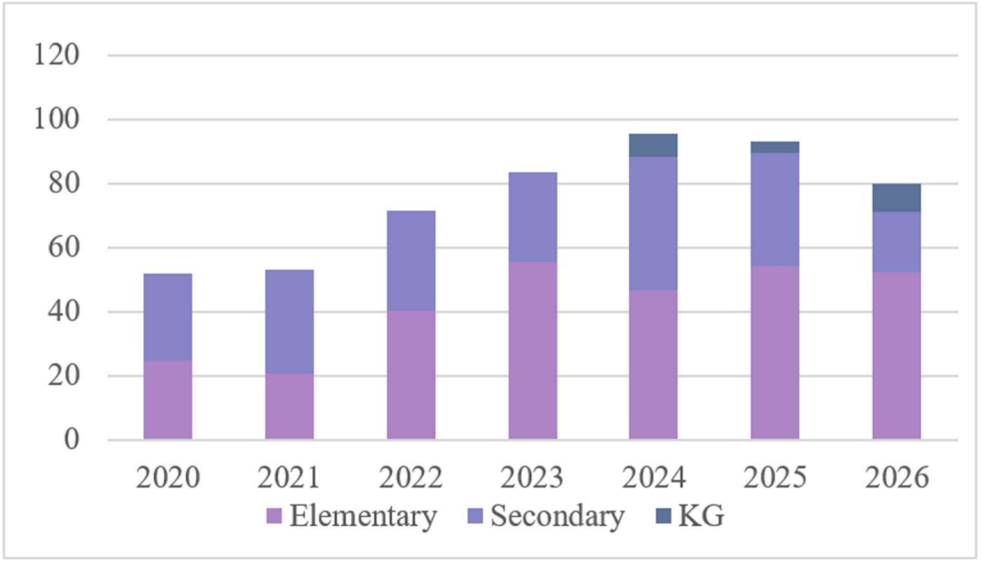
The General Fund includes the primary operations of the Academy in providing educational services to students from grades KG through 8.

A large percentage of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variable such as socioeconomic indicators driving additional funding. For Minnesota charter schools the majority of all funding consists of general education aid, special education aid and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

Enrollment

Enrollment is a critical factor in determining revenue with approximately 95% of General Fund revenue being determined by enrollment.

Figure A-4
Enrolment Trend
Average Daily Membership (ADM)



III. DETAILED ANALYSES (CONTINUED)

Enrollment (Continued)

It is hoped that the School will maintain a steady enrollment. All staff members need to assume an active role in retention and recruitment efforts. The School will continue to pursue creative and thoughtful marketing strategies to encourage families to consider the School as the option of choice.

The following schedule presents a summary of General Fund Revenues:

Table A-4
General Fund Revenues

	Year Ended June 30,		Change	
	2026	2025	Increase (Decrease)	Percentage Change
Federal Sources	$ 71,523	$ 87,990	$ (16,467)	-18.71%
State Sources	1,571,622	1,565,259	6,363	0.41%
Local Sources				
Other	11,434	163,667	(152,233)	-93.01%
Total General Fund Revenue	**$1,654,579**	**$ 1,816,916**	**$ (162,337)**	-8.93%

Total General Fund Revenue decreased $162,337 or 8.93% to $1,654,579 for the year. Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter schools, most funding consists of general education aid, special education aid, and charter school lease aid. General Fund state sources increased $6,363 to $1,571,622. Charter school lease aid for the year was $110,292.

III. DETAILED ANALYSES (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended June 30,		Change	
	2026	2025	Increase (Decrease)	Percentage Change
Salaries and Wages	$ 620,730	$ 550,990	$ 69,740	12.66%
Employee Benefits	149,817	134,849	14,968	11.10%
Purchased Services	804,037	691,260	112,777	16.31%
Supplies and Materials	58,439	87,537	(29,098)	-33.24%
Capital Expenditures	147,572	145,477	2,095	1.44%
Other Expenditure	12,024	14,751	(2,727)	-18.49%
Total General Fund Expenditures	**$1,792,619**	**$ 1,624,864**	**$ 167,755**	10.32%

Total General Fund Expenditures increased $167,755 or 10.32% to $1,792,619. Services purchased is the school's highest paid fund expenditure at 45% of total expenses and increased $112,777 or 16.31% to $804,037; supplies and materials decreased $29,098 along with decrease in other expenditure of $2,727; capital expenditure increased $2,095 or 1.44% to $147,572 for the year while salaries and wages of $620,730 and employee benefit of $149,817 were reported.

General Fund expenditures exceeded revenues by $138,040, and the General Fund balance decreased $138,040 to $266,082 at June 30, 2026, which represents approximately 15% of annual General Fund expenditures.

General Fund Budgetary Highlights

The Board amended the General Fund budget during the year, decreasing budgeted revenues $172,713 primarily due to the decrease of state sources, and federal sources by $155,122 and $19,291 respectively. Budgeted expenditures were down $21,450 primarily because of regular instruction down by $59,622, district support services down by $20,072, and administration down by $15,692, partly offset by special education instruction, up $40,995, and pupil support services, up $28,894.

Actual revenues exceeded the final budget by $90,632, primarily because state sources were $75,413 higher than budgeted and federal sources were $15,585 higher than budgeted.

III. DETAILED ANALYSES (CONTINUED)

General Fund Budgetary Highlights (Continued)

Actual expenditures exceeded the final budget by $69,871, primarily because special education instruction was $68,588 over budget. The excess of expenditures over budget is disclosed in the notes to the financial statements.

Other Governmental Funds

The Food Service Fund accounts for the food service operations. During the 2025-2026 fiscal year, Food Service Fund revenues of $89,532 exceeded expenditures of $73,461 by $16,071, resulting in a fund balance of $62,510.

IV. SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

CAPITAL ASSETS

The school does not report capital assets.

LONG-TERM LIABILITIES

At June 30, 2026, the School had long-term liabilities of $405,952, a decrease of $4,253 (1.04%) from the prior year. The net pension liability decreased $16,502 to $393,703, based on the school's proportionate share of the TRA and PERA plans. Compensated absences of $12,249 were recorded based on measurement of accumulated leave balances under GASB Statement No. 101. The net pension liability relates to the recording of the school's share of the estimated unfunded net pension liability for the two statewide pension plans (TRA and PERA).

V. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The school depends on the State of Minnesota for most of its revenue. Legislated funding increases have not always kept pace with instructional program needs and inflationary cost increases, so the school must continue to budget carefully to maintain its fund balance at the level required by its fund balance policy. The following facts, decisions, and conditions are expected to affect the school's financial position and results of operations in fiscal 2027:

In June 2026 the Board approved the 2026–2027 operating budget on a conservative estimate of 85 ADM. Subsequent to year-end, and before the date of this report, the School executed a successor charter contract with Innovative Quality Schools and a successor lease for educational space for fiscal 2027. The board will try to maintain a targeted fund balance of no less than 10% in the future.

V. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS (CONTINUED)

The school will strive to meet its commitment to academic excellence and educational opportunity for students. It is anticipated that enrollment will grow in future. While state funding formulas may not be sufficient to meet instructional programming needs, the increase in planned enrollment is expected to provide the resources to balance future budgets and build a sufficient fund balance.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders, and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nicole Nelson, Progeny Academy, Charter School No. 4263, 5929 Brooklyn Boulevard, Brooklyn Center, Minnesota 55429. The telephone number is 763-325-9150.

BASIC FINANCIAL STATEMENTS

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF NET POSITION
AS OF JUNE 30, 2026

	Governmental Activities
Assets	
Cash and Investments	$ 157,014
Receivables - Other Governments	257,832
Prepaid Expenditures	23,629
Total Assets	**438,475**
Deferred Outflows of Resources	
Deferred Outflows - Pension Payments	215,864
Total Assets and Deferred Outflows of Resources	**654,339**
Liabilities	
Salaries and Benefits Payable	84,703
Accounts Payable	25,180
Long-Term Liabilities:	
Net Pension Liability	393,703
Compensated Absences Payable	12,249
Total Liabilities	**515,835**
Deferred Inflows of Resources	
Deferred Inflows - Pension Payments	158,213
Net Position	
Restricted	199,886
Unrestricted	(219,595)
Total Net Position	**(19,709)**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 654,339**

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities
Governmental Activities					
Administration	$ 95,534	$ -	$ -	$ -	$ (95,534)
District Support Services	200,125	-	-	-	(200,125)
Regular Instruction	620,055	-	130,254	-	(489,801)
Special Education Instruction	360,219	-	381,168	-	20,949
Instructional Support Services	2,934	-	-	-	(2,934)
Pupil Support Services	353,358	-	2,075	-	(351,283)
Sites and Buildings	192,151	-	110,292	-	(81,859)
Fiscal and Other Fixed Cost	17,804	-	-	-	(17,804)
Food Service	73,461	-	89,532	-	16,071
Total Governmental Activities	**$ 1,915,641**	**$ -**	**$ 713,321**	**$ -**	**(1,202,320)**
General Revenues					
State Aid Grants					1,020,065
Other General Revenues					11,434
Total General Revenues					**1,031,499**
Change in Net Position					**(170,821)**
Net Position – Beginning of the year					151,112
Net Position – End of the year					**$ (19,709)**

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2026

	Major Funds		
	General Fund	Food Service Fund	Total Governmental Funds
Assets			
Cash	$ 97,322	$ 59,692	$ 157,014
Receivables:			
Due from MDE	225,867	46	225,913
Due from Federal through MDE	25,265	2,772	28,037
Due from other Governmental Units	3,882	-	3,882
Prepaid Expenditures	23,629	-	23,629
Total Assets	**375,965**	**62,510**	**438,475**
Liabilities and Fund Balances			
Liabilities			
Salaries and Benefits Payable	84,703	-	84,703
Accounts Payable	25,180	-	25,180
Total Liabilities	**109,883**	**-**	**109,883**
Fund Balances (Deficit)			
Nonspendable:			
Prepaids	23,629	-	23,629
Restricted for:			
Literacy Incentive Aid	555	-	555
School Library Aid	49,903	-	49,903
English Learner	23,440		23,440
Teacher Compensation Read Act	3,462	-	3,462
Student Support Personnel	38,725	-	38,725
Food Service	-	62,510	62,510
Medical Assistance	21,291	-	21,291
Unassigned	105,077	-	105,077
Total Fund Balances (Deficit)	**266,082**	**62,510**	**328,592**
Total Liabilities and Fund Balances (Deficit)	**$ 375,965**	**$ 62,510**	**$ 438,475**

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2026

Total Fund Balances – Governmental Funds	**$**	**328,592**
Total net position reported for governmental activities in the statement of net position is different because:		
The School's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability		(393,703)
Deferred Inflows of Resources - Pensions		(158,213)
Deferred Outflows of Resources - Pensions		215,864
Compensated absences are recognized in the government-wide financial statements when earned by employees, while in the governmental funds, liabilities are recognized only when they are due and payable		(12,249)
Total Net Position – Governmental Activities	**$**	**(19,709)**

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	Major Funds		Total Governmental Funds
	General Fund	Food Service Fund	
Revenue			
Federal Sources	$ 71,523	$ 88,083	159,606
State Sources	1,571,622	1,449	1,573,071
Local Sources:			
Other	11,434	-	11,434
Total Revenue	**1,654,579**	**89,532**	**1,744,111**
Expenditures			
Current:			
Administration	83,410	-	83,410
District Support Services	201,019	-	201,019
Regular Instruction	587,065	-	587,065
Special Education Instruction	355,556	-	355,556
Instructional Support Services	2,934	-	2,934
Pupil Support Services	352,680	-	352,680
Sites and Buildings	192,151	-	192,151
Fiscal and Other Fixed Cost	17,804	-	17,804
Food Service	-	73,461	73,461
Total Expenditures	**1,792,619**	**73,461**	**1,866,080**
Net Change in Fund Balances	**(138,040)**	**16,071**	**(121,969)**
Fund Balances (Deficit) - Beginning of the year	404,122	46,439	450,561
Fund Balances (Deficit) - End of the year	**$ 266,082**	**$ 62,510**	**$ 328,592**

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

Total Net Change in Fund Balances – Governmental Funds	**$**	**(121,969)**
Amounts reported for governmental activities in the Statement of Activities are different because:		
Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.		
Pension expense		(37,312)
State Aid related to Pension Expense		709
In the Statement of Activities, certain operating expenses - compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).		(12,249)
Change in Net Position – Governmental Activities	**$**	**(170,821)**

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OPERATION

Nature of Operations

Charter School No. 4263, also known as Progeny Academy (the Academy), is a nonprofit corporation that was formed on July 1, 2017, in accordance with Minnesota Statutes. The Academy is authorized by Innovative Quality Schools (IQS) – and operates under a charter school contract extending through June 30, 2031. The governing body consists of board of directors composed of at least five members elected by voters of the general membership of the Academy to serve three-year terms.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Charter School No. 4263, also known as Progeny Academy, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as GAAP for state and local governments.

B. Financial Reporting Entity

Charter School No. 4263, also known as Progeny Academy's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the Academy is considered to be financially accountable.

Component units are legally separate entities for which the Academy is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or is fiscally depended upon by the potential component unit. Based on these criteria, there are no component units of the Academy.

Aside from its authorizer role, Innovative Quality Schools has no authority, control, power, or administrative responsibilities over Progeny Academy. Therefore, the School is not considered a component unit of Innovative Quality Schools.

C. Government-wide Financial Statement:

The government-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide Financial Statement: (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The Academy applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted net positions are available. The effect of interfund activity has been removed from these statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. Other revenue is generally considered available if collected within 60 days.

2. Recording Expenditures

Expenditures are generally recorded when a liability is incurred. The exception to this general rule is that principal and interest on long-term debt and other long-term liabilities are recognized as expenditures when due and payable. However, expenditures are recorded as prepaids for approved disbursements or liabilities incurred in advance of the period in which the item is to be used.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds
As required by state statute, the Academy operates as a nonprofit corporation under *Minnesota Statutes* 317A. However, state law also requires the Charter School comply with Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota School Districts which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. A description of the fund included in this report is as follows:

Major Funds:

General Fund
This fund is the basic operating fund of the Academy and is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the Academy, as well as the capital related activities such as maintenance of facilities and equipment purchases.

Food Service Fund
This fund is used to account for food service revenues and expenditures. Primary sources of revenue in the Food Service Fund are state and federal aids that are restricted for the Food Service program.

E. Student Activities

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, school boards must control all extracurricular activities of the teachers and students. Therefore, any extracurricular student activity accounts are included in the School's General Fund.

F. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Cash and investments at June 30, 2026, were comprised of deposits.

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

G. Accounts Receivable

Accounts receivable represents amounts due from individuals, firms, and corporations for goods and services furnished by the Academy. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption or is allocated over the period benefitted.

I. Compensated Absences

School-year employees earn paid time off (PTO) annually and may carry over (bank) up to five days (40 hours) of unused PTO each year, to a maximum bank of 30 days. Part-time and summer employees may carry over up to 80 hours.

In accordance with the provisions of GASB Statement No. 101, Compensated Absences, the School has evaluated its policies and historical data regarding compensated absences to determine the appropriate recognition of a liability. Based on this evaluation, a liability amounting to $12,249 for compensated absences has been recognized in the government-wide financial statements for the year ended June 30, 2026.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Academy has one item that qualifies for reporting in this category. A deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy has one item which qualifies for reporting in this category. A deferred inflow of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

K. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The Academy maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

Capital assets are recorded in the government-wide financial statement but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the Academy, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 20 years for various property, plant and equipment.

L. Leases

The Academy determines if an arrangement is a lease at inception. Leases other than short-term leases are included in lease assets and lease liabilities in the statement of net position. At June 30, 2026, the Academy had no such leases. Lease assets represent the Academy's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the Academy's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the net present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the Academy will exercise that option. The Academy has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and Public Employees Retirement Association (PERA) and additions to/deductions from TRA's and PERA 's fiduciary net position have been determined on the same basis as they are reported by TRA and PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, city of Minneapolis, and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Academy purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

O. Fund Balance

In the fund financial statements, governmental funds report non-spendable, restricted, committed, assigned, and unassigned fund balances. Non-spendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board passed a resolution authorizing the school director and financial manager to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts in the General Fund.

The School Board has adopted a spending prioritization policy for restricted fund balance. The Academy applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted fund balance is available. The default spending priority per GASB Statement No. 54 for unrestricted fund balance is when an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. To ensure the financial strength and stability of the school, the Board will endeavor to maintain a targeted fund balance of no less than 10%.

P. Interfund Activity

From time to time, the Academy may have interfund activity in the normal course of operations. This activity is eliminated in the government wide financial statements when consolidated. The effects of interfund activities have been removed from the Government-wide financial statements.

Q. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and capital-related debt. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. Any remaining amounts are considered to be unrestricted

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

S. Tax Status

The Academy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as an organization. The Academy is also exempt from Minnesota franchise or income tax.

The Academy is required to assess whether an uncertain tax position exists and if there should be recognition of a related benefit or liability in the financial statements. The Academy has determined there are not amounts to record as assets or liabilities related to uncertain tax positions.

T. Budgetary Information

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

1. Prior to July 1, the Director of the School submits to the School's Board of Directors a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Formal budgetary integration is employed as a management control device during the year for the General and Food Service Funds.
3. Budgets for the General and Food Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
4. Budgets are as originally adopted or as amended by the School's Board of Directors. Budgeted expenditure appropriations lapse at year-end.

U. Management’s Discussion and Analysis

The basic financial statements are preceded by management’s discussion and analysis (“MD&A”), which is presented as required supplementary information. Information presented in MD&A is limited to the five sections required by GASB Statement No. 103: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The detailed analyses compare the current year to the prior year and explain why balances and results of operations changed rather than presenting only the amounts or percentages by which they changed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Unusual or Infrequent Items

Unusual or infrequent items are transactions and other events that are unusual in nature or infrequent in occurrence, as those terms are defined in GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. When such items occur, the Charter School discloses the program, function, or identifiable activity to which the item relates, if applicable, and whether the item is within the control of management. The Charter School had no unusual or infrequent items for the year ending June 30, 2026.

W. Adoption of New Accounting Standards

GASB Statement No. 103: During the year ended June 30, 2026, the Charter School adopted GASB Statement No. 103, *Financial Reporting Model Improvements*, issued in April 2024 and effective for fiscal years beginning after June 15, 2025. The objective of GASB 103 is to improve key components of the financial reporting model, and it establishes new or modified requirements related to (a) MD&A, (b) unusual or infrequent items, (c) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, (d) information about major component units in the basic financial statements, (e) budgetary comparison information, and (f) financial trends information in the statistical section.

The Charter School engages only in governmental activities, has no proprietary funds, has no component units, and does not present a statistical section. Accordingly, the requirements of GASB 103 relating to the proprietary fund statement of revenues, expenses, and changes in fund net position, to major component unit information, and to the statistical section had no effect on the accompanying financial statements. Adoption of GASB 103 affected the content and organization of MD&A, the presentation of unusual or infrequent items (of which there were none) in the statements of resource flows, and the presentation of budgetary comparison information and the related variance columns and explanations within required supplementary information.

In accordance with paragraph 19 of GASB 103, changes adopted at transition are reported as a change in accounting principle in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections. Because the changes affect presentation and disclosure only, adoption of GASB 103 did not result in a change to the Charter School's net position as of July 1, 2025, or to its previously reported fund balances.

GASB Statement No. 104: Disclosure of Certain Capital Assets is effective for the same reporting period. The Statement requires certain capital assets — including lease assets, subscription assets, and other intangible assets — to be disclosed separately. The school has no owned capital assets, no right-to-use lease assets (the educational-space lease is short-term under GASB 87; see Note 5), no subscription-based information technology arrangement assets, and no other intangible assets. Adoption of GASB 104 therefore had no effect on the accompanying financial statements.

NOTE 3 - DEPOSITS

The Academy maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the Statement of Net Position and on the balance sheet as "Cash". In accordance with applicable Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School Board.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency.

Minnesota statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

The School's deposits in banks at June 30, 2026 were $251,852. At June 30, 2026, the portion of the School's deposits in excess of Federal Deposit Insurance Corporation coverage ($1,852) was covered by collateral in accordance with Minnesota Statutes.

NOTE 4 - DEFINED BENEFIT PENSION PLANS

Substantially all employees of the School are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

Teachers Retirement Association

A. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials.

Educators employed in Minnesota's public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage within one year of eligible employment or elect coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing DCR plan is not a member of TRA except for purposes of social security coverage.

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Teachers Retirement Association (Continued)

B. Benefits Provided

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any consecutive 60 months of formula service, age and years of formula service credit at termination of service. TRA members belong to either the Basic or Coordinated Plan.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006 or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006 or after	1.9% per year

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) 3% per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Or

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for coordinated members and 2.7% per year for Basic members applies. An early retirement reduction is applied to members retiring prior to age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Teachers Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 65 After July 1, 2024. An early retirement reduction is applied to members retiring before age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

Six different types of annuities are available to members upon retirement. The No Refund Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

C. Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2026 for coordinated were 8.00% for the employee and 9.81% for the employer. Basic rates were 11.50% for the employee and 13.81% for the employer. The school's contributions to TRA for the plan's fiscal year ended June 30, 2026 were $44,852. The school's contributions were equal to the required contributions for each year as set by state statute.

D. Actuarial Assumptions

The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Teachers Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Experience studies	August 2, 2023 (demographic and economic assumptions) *
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment Rate of Return	7%
Price Inflation	2.5%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustments	1% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality assumptions	
Pre-retirement:	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy Retirees:	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-
Beneficiaries:	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

**The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.*

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Teachers Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25%	0.75%
Private Markets	25%	5.90%
Total	**100.00%**	

Changes in actuarial assumptions since the 2023 valuation:

- Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

E. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2025 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Teachers Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2026, the School reported a liability of $348,665 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The School's proportion of the net pension liability was based on the school's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. School's proportionate share was 0.0061% at the end of the measurement period and 0.0057% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the district as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the district were as follows:

Description		Amount
School's proportionate share of the TRA net pension liability	$	348,665
State's proportionate share of the net pension liability associated with the school		21,655
Total	**$**	**370,320**

For the year ended June 30, 2026, the School recognized pension expense of $91,151. It also recognized $542 as a decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2025, the State of Minnesota contributed $28,462,000 to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the $28,462,000 in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The school recognized share is $1,732, reflected as a reduction of its proportionate share of the net pension liability and of pension expense for the year ended June 30, 2026; it was not separately recognized as revenue.

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Teachers Retirement Association (Continued)

F. Net Pension Liability (Continued)

At June 30, 2026, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 16,078	$ 3,424
Changes in actuarial assumptions	19,695	36,882
Net difference between projected and actual earnings on Plan Investments	-	70,010
Changes in Proportion	117,260	11,775
School's Contributions Subsequent to the Measurement Date	44,852	-
Total	**$ 197,885**	**$ 122,091**

The $44,852 reported as deferred outflows of resources related to pensions resulting from School Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ending June, 30	Pension Expense Amount
2027	$ 46,458
2028	(17,978)
2029	(11,694)
2030	8,949
2031	$ 5,206

G. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate.

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Teachers Retirement Association (Continued)

G. Pension Liability Sensitivity (Continued)

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
TRA discount rate	6%	7%	8%
Academy's proportionate share of the TRA net pension liability	$ 657,680	$ 348,665	$ 94,348

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at https://minnesotatra.org, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

General Employees Retirement Plan

A. Plan Description

The school participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Employees Retirement Plan (Continued)

B. Benefits Provided (Continued)

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989, or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2025 annual increase was 1.25 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a prorated increase.

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2026 and the school was required to contribute 7.50 percent for General Plan members. The school's contributions to the General Employees Fund for the year ending June 30, 2026, were $9,974. The school's contributions were equal to the required contributions as set by state statute.

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Employees Retirement Plan (Continued)

D. Pension Costs

At June 30, 2026, the School reported a liability of $45,038 for its proportionate share of the General Employees Fund's net pension liability. The school's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the school totaled $1,086.

Description	Amount
School's proportionate share of the GERF net pension liability	$ 45,038
State of Minnesota's proportionate share of the net pension liability associated with the school	1,086
Total	**$ 46,124**

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The school's proportion of the net pension liability was based on the school's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The school's proportionate share was 0.0014% at the end of the measurement period and 0.0013% for the beginning of the period.

For the year ended June 30, 2026, the school recognized a reduction in pension expense of $1,317 for its proportionate share of the General Employees Plan's pension expense. In addition, the school recognized $167 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Employees Retirement Plan (Continued)

D. Pension Costs (Continued)

At June 30, 2026, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,290	$ -
Changes in actuarial assumptions	1,085	10,363
Net difference between projected and actual investment earnings	-	17,921
Changes in Proportion	2,630	7,837
Contributions paid to GERF subsequent to the measurement date	9,974	-
Total	**$ 17,979**	**$ 36,120**

The $9,974 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2027. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2027	$ (8,852)
2028	(10,765)
2029	(5,296)
2030	$ (3,203)

E. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the

following table:

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Employees Retirement Plan (Continued)

E. Long-Term Expected Return on Investment (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25%	0.75%
Private Markets	25%	5.90%
Total	**100.00%**	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5 percent after one year of service to 3 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.

- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Employees Retirement Plan (Continued)

F. Actuarial Methods and Assumptions (Continued)

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.

- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

G. Discount rate

The discount rate used to measure the total pension liability in 2025 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plan were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents the School's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.00%	7.00%	8.00%
Academy's proportionate share of the GERF net pension liability	$ 109,388	$ 45,038	$ (7,166)

NOTE 4 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Employees Retirement Plan (Continued)

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the Academy expects such amounts, if any, to be immaterial.

B. Short-Term Lease for Educational Space

During fiscal year 2026, the Academy signed a new one-year lease effective July 1, 2025 through June 30, 2026. The lease requires monthly payments of $12,123 plus operating costs. Rental expenses for the year ended June 30, 2026, was $145,477.

The Academy qualified for state charter school lease aid of $110,292. This entitlement is subject to proration by the Minnesota Department of Education to the extent the overall funding that has been provided is insufficient to meet all amounts owed to Minnesota charter schools.

The Academy's ability to make payments under this lease agreement for educational space is dependent on its revenues which are, in turn, largely dependent on sufficient enrollments being served at the Academy and on sufficient state aids per student being authorized and received from the state of Minnesota. The Academy believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

NOTE 6 – STEWARDSHIP AND ACCOUNTABILITY

Expenditures exceeded the final budget in the following fund. The overage was considered necessary for the operation of the school:

General Fund – final budget $1,722,748; expenditures $1,792,619; excess $69,871.
General Fund expenditures exceeded the final budget by $69,871, primarily because special education instruction expenditures exceeded budget by $68,588.

NOTE 7 – SUBSEQUENT EVENTS

For the year ended June 30, 2026 the school has evaluated subsequent events and transactions for potential recognition or disclosure through November 13, 2026, which is the date the financial statements were available to be issued, and concluded no additional subsequent events have occurred that would require recognition or disclosure in these financial statements that have not already been accounted for.

REQUIRED SUPPLEMENTARY INFORMATION

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

	Budgeted Amounts		Variance-		Variance-
	Original Budget	Final Budget	Original to Final Budget	Actual Amounts	Final Budget to Actual
Revenue					
Federal Sources	$ 75,229	$ 55,938	$ (19,291)	$ 71,523	$ 15,585
State Sources	1,651,331	1,496,209	(155,122)	1,571,622	75,413
Local Sources:					
Other	10,100	11,800	1,700	11,434	(366)
Total Revenue	**1,736,660**	**1,563,947**	**(172,713)**	**1,654,579**	**90,632**
Expenditures					
Current:					
Administration	92,079	76,387	15,692	83,410	(7,023)
District Support Services	210,318	190,246	20,072	201,019	(10,773)
Regular Instruction	652,687	593,065	59,622	587,065	6,000
Special Education Instruction	245,973	286,968	(40,995)	355,556	(68,588)
Instructional Support Services	1,600	2,640	(1,040)	2,934	(294)
Pupil Support Services	334,006	362,900	(28,894)	352,680	10,220
Sites and Buildings	192,035	191,442	593	192,151	(709)
Fiscal and Other Fixed Cost Programs	15,500	19,100	(3,600)	17,804	1,296
Total Expenditures	**1,744,198**	**1,722,748**	**21,450**	**1,792,619**	**(69,871)**
			-		
Net Change in Fund Balances	**$ (7,538)**	**$ (158,801)**	**$ (151,263)**	**$ (138,040)**	**$ 20,761**

See related notes to Required Supplementary Information.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2026

	Budgeted Amounts		Variance-		Variance-
	Original Budget	Final Budget	Original to Final Budget	Actual Amounts	Final Budget to Actual
Revenue					
Federal Sources	$ 86,000	$ 83,750	$ (2,250)	$ 88,083	$ 4,333
State Sources	4,000	3,500	(500)	1,449	(2,051)
Total Revenue	**90,000**	**87,250**	**(2,750)**	**89,532**	**2,282**
Expenditures					
Current:					
Food Service	79,100	81,423	(2,323)	73,461	7,962
Total Expenditures	**79,100**	**81,423**	**(2,323)**	**73,461**	**7,962**
Net Change in Fund Balances	**$ 10,900**	**$ 5,827**	**$ (5,073)**	**$ 16,071**	**$ 10,244**

See related notes to Required Supplementary Information.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
TRA PLAN SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2026
LAST SEVEN MEASUREMENT DATES

Measurement Date June 30,	School's Proportion of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with School	Total	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0004%	$ 25,496	$ 2,073	$ 27,569	$ 20,000	127.48%	78.21%
2020	0.0041%	302,913	25,136	328,049	239,053	126.71%	75.48%
2021	0.0042%	183,805	15,658	199,463	252,841	72.70%	86.63%
2022	0.0041%	328,306	24,324	352,630	256,367	128.06%	76.17%
2023	0.0038%	313,737	22,160	335,897	240,947	130.21%	76.42%
2024	0.0057%	362,196	23,850	386,046	380,194	95.27%	82.07%
2025	0.0061%	$ 348,665	$ 21,655	$ 370,320	$ 428,674	81.34%	84.51%

* - Schedule is intended to show ten-year trend. Additional years will be reported as they become available.

See related notes to Required Supplementary Information.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
TRA PLAN SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2026
LAST EIGHT FISCAL YEARS

Fiscal Year Ended June 30,	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	$ 1,542	$ 1,542	$ -	$ 20,000	7.71%
2020	18,933	18,933	-	239,053	7.92%
2021	20,556	20,556	-	252,841	8.13%
2022	21,381	21,381	-	256,367	8.34%
2023	20,601	20,601	-	240,947	8.55%
2024	33,267	33,267	-	380,194	8.75%
2025	37,509	37,509	-	428,674	8.75%
2026	$ 44,852	$ 44,852	$ -	$ 457,207	9.81%

* - Schedule is intended to show ten-year trend. Additional years will be reported as they become available.

See related notes to Required Supplementary Information.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
GERF PLAN SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2026
LAST SEVEN MEASUREMENT DATES

Measurement Date June 30,	School's Proportion of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with School	Total	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0001%	$ 5,529	$ 167	$ 5,696	$ 10,000	55.29%	80.23%
2020	0.0018%	107,918	3,408	111,326	131,627	81.99%	79.06%
2021	0.0011%	46,975	1,392	48,367	76,880	61.10%	87.00%
2022	0.0016%	126,721	3,835	130,556	120,973	104.75%	76.67%
2023	0.0015%	83,878	2,250	86,128	112,693	74.43%	83.10%
2024	0.0013%	48,009	1,241	49,250	109,773	43.73%	89.08%
2025	0.0014%	$ 45,038	$ 1,086	$ 46,124	$ 127,120	35.43%	90.78%

* - Schedule is intended to show ten-year trend. Additional years will be reported as they become available.

See related notes to Required Supplementary Information.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
GERF PLAN SCHEDULE OF SCHOOL'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2026
LAST EIGHT FISCAL YEARS

Fiscal Year Ended June 30,	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	$ 750	$ 750	$ -	$ 10,000	7.50%
2020	9,872	9,872	-	131,627	7.50%
2021	5,766	5,766	-	76,880	7.50%
2022	9,073	9,073	-	120,973	7.50%
2023	8,452	8,452	-	112,693	7.50%
2024	8,233	8,233	-	109,773	7.50%
2025	9,534	9,534	-	127,120	7.50%
2026	$ 9,974	$ 9,974	$ -	$ 132,987	7.50%

* - Schedule is intended to show ten-year trend. Additional years will be reported as they become available

See related notes to Required Supplementary Information.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2026

BUDGETARY COMPARISON INFORMATION

Budgetary Basis Accounting

The School formally adopted a budget for the fiscal year ended June 30, 2026. Budgeted amounts may be amended by resolution of the School Board. Budgets are presented on the modified accrual basis of accounting. The School's legal level of budgetary control is the fund level. The budgetary comparison schedules present the original budget, the final budget, actual amounts on the budgetary basis, and separate columns for the variance between the original and final budget amounts and the variance between the final budget amounts and actual results.

Explanation of Significant Variances

A. General Fund

Original Budget to Final Budget

Budgeted revenues were decreased $172,713, primarily because budgeted state sources were decreased $155,122 and budgeted federal sources were decreased $19,291. Budgeted expenditures were decreased $21,450, primarily from reductions of $59,622 in regular instruction, $20,072 in district support services and $15,692 in administration, partially offset by increases of $40,995 in special education instruction and $28,894 in pupil support services.

Final Budget to Actual

Actual revenues exceeded the final budget by $90,632, primarily because state sources were $75,413 above budget and federal sources were $15,585 above budget.

For the year ended June 30, 2026, General Fund expenditures of $1,792,619 exceeded the final budget of $1,722,748 by $69,871 at the fund level of budgetary control. The excess was mainly due to special education instruction, which was $68,588 over budget, together with district support services ($10,773) and administration ($7,023), partially offset by pupil support services ($10,220) and regular instruction ($6,000) that were below budget. The net change in fund balance of $(138,040) was $20,761 more favorable than the final budget.

B. Food Service Fund

Original Budget to Final Budget

The final budget reduced budgeted revenues by $2,750 (federal sources by $2,250 and state sources by $500) and increased budgeted expenditures by $2,323.

Final Budget to Actual

Actual revenues exceeded the final budget by $2,282, as federal sources were $4,333 above budget, partially offset by state sources $2,051 below budget. Expenditures was $7,962 below the final budget. As a result, the net change in fund balance of $16,071 was $10,244 more favorable than the final budget.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2025

Changes in Actuarial Assumptions

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions

- The post retirement benefit increase formula was changed to be 100% of the Social Security Cost of-Living Adjustment (COLA), not less than 1.00% or more than 1.75%. Prior to January 1, 2026, benefit recipients received an annual post-retirement benefit increase equal to 50% of the Social Security COLA, not less than 1.00% and not more than 1.50%.

2024

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2023

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2019

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2025.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2017

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.

Changes in Actuarial Assumptions (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The state's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21.0 million to $31.0 million in calendar years 2019 to 2031. The state's contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

2016

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2025

Changes in Actuarial Assumptions

- Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

Changes in Plan Provisions

The 2025 Omnibus Pensions and Retirement Bill (HF 1889/SF 2884) made several changes to benefit provisions and actuarial methods.

- Expanded the current special early retirement reductions available at age 62 with at least 30 years of service to ages 60 and 61 with at least 30 years of service.
- Lowered special early retirement reductions for members who retire after reaching age 60 with 30 years of service from 6% with augmentation to 5% with augmentation.
- Delayed retired members' eligibility for their first COLA until age 65, including members who retire under special early retirement.
- Increased employer contribution rates by 0.31% above the previous scheduled increase.
- Changed the amortization method for financing the System's Unfunded Actuarial Accrued Liability (UAAL) from a single base being amortized over the period ending June 30, 2048 to a "layered" amortization approach. Under the new method, the UAAL as of July 1, 2024 will continue to be amortized according to its current schedule, but new bases will be amortized over varying periods depending on the source the UAAL impact.

2024

Changes in Actuarial Assumptions

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family of tables.
- Retirement rates were increased for some of the tier 2 early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first ten years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2024 (Continued)

Changes in Plan Provisions

- The 2024 Omnibus Pensions and Retirement Bill (HF 5040/SF 4643) lowered the normal retirement age for Tier 2 members from 66 to 65 effective July 1, 2024 and provided for a one-time State appropriation of $28.46 million to cover the cost.
- HF 3100, appropriated $176,166,838 to TRA, payable on October 1, 2023:
    - $28,735,816 for the difference between the statutory 1.1% compounded COLA payable on January 1, 2024 and a one-time 2.5% lump-sum COLA for coordinated plan members;
    - $2,384,222 for the difference between the statutory 1.1% compounded COLA payable on January 1, 2024 and a one-time 4.0% lump-sum COLA for basic plan members; and
    - $145,046,800 to pay down the unfunded actuarial accrued liability.

2023

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7.00%. This does not affect the GASB valuation which was already using the 7.00% assumption.

Changes in Plan Provisions

- Effective July 1, 2025, the normal retirement age for Tier 2 members will decrease from 66 to 65.
- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8.00% on July 1, 2025.

2022

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50% to 7.00%

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2021 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2025 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 5 years, (7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2017

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.

2015

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2015 (Continued)

Changes in Plan Provisions

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of $14.377 million until the System becomes fully funded.

2014

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

- The increase in the postretirement benefit adjustment (COLA) will be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

SUPPLEMENTARY INFORMATION

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2026

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	$ 1,654,579	$ 1,654,579	$ -
Total Expenditures	1,792,619	1,792,618	1
Non Spendable:			
4.60 Non Spendable Fund Balance	23,629	23,629	-
Restricted / Reserved:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.03 Staff Development	-	-	-
4.07 Capital Projects Levy	-	-	-
4.08 Cooperative Revenue	-	-	-
4.12 Literacy Incentive Aid	555	555	-
4.13 Funded by COP/FP	-	-	-
4.14 Operating Debt	-	-	-
4.17 Taconite Building Maint	-	-	-
4.24 Operating Capital	-	-	-
4.34 Area Learning Center	-	-	-
4.35 Contracted Alt. Programs	-	-	-
4.36 State Approved Alt. Program	-	-	-
4.38 Gifted & Talented	-	-	-
4.39 English Learner	23,440	23,440	-
4.40 Teacher Development and Evaluation	-	-	-
4.41 Basic Skills Programs	-	-	-
4.43 School Library Aid	49,903	49,903	-
4.48 Achievement and Integration	-	-	-
4.49 Safe Schools Levy	-	-	-
4.51 QZAB Payments	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-
4.53 Unfunded Sev & Retiremt Levy	-	-	-
4.57 Teacher Comp Read Act	3,462	3,462	-
4.59 Basic Skills Extended Time	-	-	
4.67 LTFM	-	-	-
4.71 Student Support Personnel	38,725	38,725	-
4.72 Medical Assistance	21,291	21,291	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
4.75 Title VII Impact Aid	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-
Committed:			
4.18 Committed for Separation	-	-	-
4.61 Committed Fund Balance	-	-	-
Assigned:			
4.62 Assigned Fund Balance	-	-	-
Unassigned:			
4.22 Unassigned Fund Balance	105,077	105,079	(2)
02 FOOD SERVICES			
Total Revenue	89,532	89,532	-
Total Expenditures	73,461	73,462	(1)
Non Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	-	-	-
Restricted:			
4.64 Restricted Fund Balance	62,510	62,510	-
Unassigned:			
4.63 Unassigned Fund Balance	$ -	$ -	$ -

OTHER REQUIRED REPORTS

Thomas & Company, CPA, PA
Certified Public Accountants and Business Consultants

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
Progeny Academy
Charter School No. 4263
Brooklyn Center, Minnesota

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 and each major fund of Progeny Academy, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Progeny Academy's basic financial statements, and have issued our report thereon dated November 13, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Progeny 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 Progeny Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Progeny 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 the Progeny 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*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Progeny Academy failed to comply with provisions of the charter schools and uniform financial accounting and reporting standards for Minnesota school districts and charter schools sections of the Minnesota Legal Compliance Audit Guide for Charter Schools, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the charter school's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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.

Thomas & Company, CPA, PA
Cooper City, Florida
November 13, 2026

Thomas & Company, CPA, PA
Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Directors
Progeny Academy
Charter School No. 4263
Brooklyn Center, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Progeny Academy for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 13, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that Progeny Academy failed to comply with the provisions of the charter schools and uniform financial accounting and reporting standards for Minnesota school districts and charter schools sections of the Minnesota Legal Compliance Audit Guide for Charter Schools, promulgated by the State Auditor pursuant to Minnesota Statute § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Progeny Academy's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Thomas & Company, CPA, PA
Cooper City, Florida
November 13, 2026

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2026

Finding Number	Finding Summary	Status	Additional Information
2025-001 Board Composition	The school did not comply with Minnesota Statutes § 124E.07 and its own bylaws, which require a minimum of five board members, including representation from a teacher, a parent, and a community member. As of June 30, 2025, only four directors were serving on the board.	Corrective action taken and finding is fully corrected.	N/A