

**Kalamazoo Regional Educational
Service Agency Foundation**

**Financial Statements and
Independent Auditors' Report**

June 30, 2025

Independent Auditors' Report

To the Board of Directors
Kalamazoo Regional Educational Service Agency Foundation
Portage, Michigan

Opinion

We have audited the accompanying financial statements of Kalamazoo Regional Educational Service Agency Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kalamazoo Regional Educational Service Agency Foundation as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Kalamazoo Regional Educational Service Agency Foundation 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 opinion.

Prior Period Financial Statements

The June 30, 2024 financial statements were reviewed by us, and our report thereon, dated November 26, 2024, stated we were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kalamazoo Regional Educational Service Agency Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

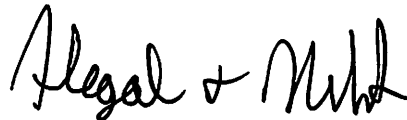
Auditor's Responsibilities for the Audit of the Financial Statements

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, we:

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

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



Flegal & Melnik

January 06, 2026

**Kalamazoo Regional Educational
Service Agency Foundation
Statement of Financial Position
June 30, 2025 with Comparative
Totals for June 30, 2024**

Assets				
June 30,				
2025				2024
(AUDITED)				(REVIEWED)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Current Assets				
Cash	\$ 324,512	-	324,512	2,926
Investments	289,508	339,863	629,371	526,193
Contribution receivable	63,982	-	63,982	-
Beneficial interest in assets held at community foundation	10,485	-	10,485	9,748
Total Current Assets	\$ 688,487	339,863	1,028,350	538,867
Other Assets				
Investments	\$ 311,098	641,034	952,132	927,208
Total Other Assets	\$ 311,098	641,034	952,132	927,208
Total Assets	\$ 999,585	980,897	1,980,482	1,466,075
Liabilities and Net Assets				
Current Liabilities				
Scholarships payable	\$ 24,950	-	24,950	24,289
Accounts payable	163,647	-	163,647	36,525
Total Current Liabilities	\$ 188,597	-	188,597	60,814
Total Liabilities	\$ 188,597	-	188,597	60,814
Net Assets				
Undesignated	\$ 267,650	-	267,650	213,483
K/RESA endowment	311,098	-	311,098	311,098
Board designated	232,240	-	232,240	-
Employee development - available to spend	-	141,591	141,591	121,842
Employee development endowment	-	6,000	6,000	6,000
Wile scholarship - available to spend	-	52,299	52,299	47,291
Wile scholarship endowment	-	41,078	41,078	41,078
Endowed named scholarship - available to spend	-	137,097	137,097	94,031
Endowed named scholarship endowment	-	543,817	543,817	514,993
WE employee enrichment - available to spend	-	8,876	8,876	5,306
WE employee enrichment endowment	-	50,139	50,139	50,139
Total Net Assets	\$ 810,988	980,897	1,791,885	1,405,261
Total Liabilities and Net Assets	\$ 999,585	980,897	1,980,482	1,466,075

**Kalamazoo Regional Educational
Service Agency Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2025 with Comparative
Totals for the Year Ended June 30, 2024**

	June 30,			
	2025		2024	
	(AUDITED)		(REVIEWED)	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue				
Contributions	\$ 619,928	50,483	670,411	182,723
Investment income	38,829	61,751	100,580	57,041
Realized gain (loss) on sale of investments	2,856	4,888	7,744	-
Unrealized gain (loss) on sale of investments	28,155	41,622	69,777	98,544
Change in beneficial interest in assets held by community foundations	736	-	736	1,082
Net assets released from restrictions	<u>58,527</u>	<u>(58,527)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>\$ 749,031</u>	<u>100,217</u>	<u>849,248</u>	<u>339,390</u>
Expenses				
Program expenses	\$ 448,850	-	448,850	186,982
Administrative expenses	11,019	-	11,019	15,052
Fundraising expenses	<u>2,755</u>	<u>-</u>	<u>2,755</u>	<u>-</u>
Total Expenses	<u>\$ 462,624</u>	<u>-</u>	<u>462,624</u>	<u>202,034</u>
Changes in Net Assets	\$ 286,407	100,217	386,624	137,356
Net Assets - Beginning	<u>524,581</u>	<u>880,680</u>	<u>1,405,261</u>	<u>1,267,905</u>
Net Assets - Ending	<u>\$ 810,988</u>	<u>980,897</u>	<u>1,791,885</u>	<u>1,405,261</u>

**Kalamazoo Regional Educational
Service Agency Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2025 with Comparative
Totals for the Year Ended June 30, 2024**

June 30,					
2025				2024	
(AUDITED)				(REVIEWED)	
	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Expenses					
Scholarships and awards	\$ 47,032	-	-	47,032	48,788
Grant making	384,318	-	-	384,318	117,029
Matching grants	17,500	-	-	17,500	21,165
Professional fees	-	4,918	1,230	6,148	9,532
Miscellaneous	-	6,101	1,525	7,626	5,520
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	\$ 448,850	11,019	2,755	462,624	202,034
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**Kalamazoo Regional Educational
Service Agency Foundation
Statement of Cash Flows
For the Year Ended June 30, 2025 with
Comparative Totals for June 30, 2024**

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
	<u>(AUDITED)</u>	<u>(REVIEWED)</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 386,624	137,356
Adjustments to reconcile change in net assets to net cash from operating activities:		
Investment income	(100,580)	(57,041)
Unrealized (gain) loss on investments	(69,777)	(98,544)
Realized gain (loss) on sale of investments	(7,744)	-
Change in beneficial interest in assets held by community foundations	(736)	(1,082)
Proceeds from the sale of investments	50,000	-
From changes in assets and liabilities		
Decrease (increase) in:		
Contribution receivable	(63,982)	-
Increase (decrease) in:		
Scholarships payable	659	(9,505)
Accounts payable	<u>127,122</u>	<u>7,244</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 321,586</u>	<u>(21,572)</u>
Net Increase (Decrease) in Cash	\$ 321,586	(21,572)
Cash - Beginning of the Year	<u>2,926</u>	<u>24,498</u>
Cash - End of the Year	<u>\$ 324,512</u>	<u>2,926</u>

**Kalamazoo Regional Educational
Service Agency Foundation
Notes to Basic Financial Statements
June 30, 2025**

Description of the Organization

The purpose of the Foundation is to solicit, manage, and disburse funds for the benefit of programs for or directly related to the Kalamazoo Regional Educational Service Agency.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Kalamazoo Regional Educational Service Agency Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of Kalamazoo Regional Educational Service Agency Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activity based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions -

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets are available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions -

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. Then as restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities and changes in net assets.

Investment income and gains restricted by donors are reported as increases in assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

**Kalamazoo Regional Educational
Service Agency Foundation
Notes to Basic Financial Statements
June 30, 2025**

Summary of Significant Accounting Policies - continued

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1

Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2

Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

Functional Expenses

The cost of providing their program has been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among program and administrative categories.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Kalamazoo Regional Educational
Service Agency Foundation
Notes to Basic Financial Statements
June 30, 2025**

Summary of Significant Accounting Policies - continued

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization other than a private foundation under Section 509 (a)(2).

The Organization evaluates all significant tax positions under a more likely than not threshold as required by U.S. generally accepted accounting principles. As of June 30, 2025, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease in the next twelve months. The Organization's income tax returns are subject to examination by the appropriate taxing jurisdictions. As of June 30, 2025, the Organization's federal return generally remains open for the last three years.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year-ended June 30, 2024, from which the summarized information was derived.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Accountant's Review Report, which is the date the financial statements were available to be issued.

Liquidity and Availability

The Organization's financial assets available for general expenditures, within one year of the statement of financial position date, are as follows:

Cash	\$ 324,512
Investments - current	629,371
Contribution receivable	63,982
Total	<u>\$ 1,017,865</u>

**Kalamazoo Regional Educational
Service Agency Foundation
Notes to Basic Financial Statements
June 30, 2025**

Net Assets - With Donor Restrictions

Employee Development

The Organization has received funds to provide endowment monies. The interest from these funds are to be used for employee development purposes. The accumulated unspent earnings are tracked separately from the original gift.

Wile Scholarship

The Organization has received monies to establish the Larry and Rose Wile Scholarship Fund to provide endowment monies. The interest from these funds are to be used for academic scholarships. The accumulated unspent earnings are tracked separately from the original gift.

WE Employee Enrichment

The Organization has received monies to establish the WoodsEdge Employee Enrichment Fund. The interest from these funds are to be used for employee enrichment grants. The accumulated unspent earnings are tracked separately from the original gift.

Named Scholarship

The Organization has received monies restricted for endowment of scholarships. These funds can be donated by organizations or individuals. The current policy adopted by the board is that any donor can have a scholarship given in their name for each contribution of \$5,000 or more. These gifts will be invested as part of the principal of the Named Scholarship Fund which is held in perpetuity. Annual interest earnings will be available each year to fund individual named scholarships. The amount of the scholarship can vary considerably according to market fluctuation.

Endowment Funds

The Organization's endowment consists of multiple funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by general accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

**Kalamazoo Regional Educational
Service Agency Foundation
Notes to Basic Financial Statements
June 30, 2025**

Endowment Funds - continued

Investment Return Objectives, Risk Parameters and Strategies: The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equities, fixed income and cash that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions of 5%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund, investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior twenty quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return of its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 2% annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Trustees of the Organization has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such funds at the end of the year.

Endowment net assets composition by type of fund as of June 30, 2025 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	980,897	980,897
Board-designated endowment funds	543,338	-	543,338
Endowment net assets, end of year	<u>\$ 543,338</u>	<u>980,897</u>	<u>1,524,235</u>

**Kalamazoo Regional Educational
Service Agency Foundation
Notes to Basic Financial Statements
June 30, 2025**

Endowment Funds - continued

Changes in endowment net assets as of June 30, 2025 are as follows:

	With Donor Restrictions			Without Donor Restrictions	Total Endowment
	Accumulated Endowment Return	Endowment Principal	Total		
Endowment net assets at beginning of year	\$ 268,470	612,210	880,680	311,098	1,191,778
Contributions	21,659	28,824	50,483	-	50,483
Investment income	61,751	-	61,751	38,830	100,581
Realized gain on sale	4,888	-	4,888	2,856	7,744
Unrealized gain	41,622	-	41,622	22,835	64,457
Amounts appropriated for expenditure	(58,527)	-	(58,527)	(72,338)	(130,865)
Additional designated funds	-	-	-	240,057	240,057
	<u>\$ 339,863</u>	<u>641,034</u>	<u>980,897</u>	<u>543,338</u>	<u>1,524,235</u>

Beneficial Interest in Assets Held By Kalamazoo Community Foundation

The Organization established a fund at the Kalamazoo Community Foundation with its own funds and specified itself as the beneficiary of that fund. The transfer of such assets is recorded as a beneficial interest in funds held by the Kalamazoo Community Foundation. The Kalamazoo Community Foundation refers to such funds as agency fund endowments.

The Kalamazoo Community Foundation maintains variance power and legal ownership of agency fund endowments and as such continues to report the funds as assets of the community foundation. However, an asset has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be received by the Organization.

Contributions by third parties have also been made to this fund. These amounts are not shown as agency fund endowments. In the current year \$0.00 was recognized as contribution income. As of June 30, 2025, the available for spend balance in the account was \$3,645. The total of the fund at June 30, 2025 was \$121,723.

**Kalamazoo Regional Educational
Service Agency Foundation
Notes to Basic Financial Statements
June 30, 2025**

Financial Instruments

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Organization maintains its cash balances in one financial institution located in Michigan. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2025, the Organization's cash balance had exceeded the insurance limit by \$74,512.

Fair Values of Financial Instruments

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash - cost of investment approximates fair value due to the short maturities of those investments.

Publicly traded mutual funds - determined by reference to quoted market prices and other relevant information generated by market transactions.

The fair values of the Organization's financial instruments are as follows:

	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
Mutual funds	\$ 1,581,503	1,581,503	1,581,503	-
Investment at foundation	10,485	10,485	-	10,485
Total	<u>\$ 1,591,988</u>	<u>1,591,988</u>	<u>1,581,503</u>	<u>10,485</u>

Investments

Investments are reported on the basis of quoted market prices and consist primarily of fixed income, equities, real estate investments, alternative strategies, publicly traded mutual funds and investments at foundations.

Investment values are as follows on June 30, 2025:

	Cost Basis	Fair Value	Net Unrealized Appreciation (Depreciation)
Mutual funds	\$ 1,336,777	1,581,503	244,726
Investment at foundation	10,485	10,485	-
Total	<u>\$ 1,347,262</u>	<u>1,591,988</u>	<u>244,726</u>

**Kalamazoo Regional Educational
Service Agency Foundation
Notes to Basic Financial Statements
June 30, 2025**

Investments - continued

The following schedule summarizes the investment return and its classification in the statement of activities for the year-ended June 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	\$ 38,829	61,751	100,580
Realized gain (loss) on sale of investments	2,856	4,888	7,744
Unrealized gain (loss) on investments	28,155	41,622	69,777
Change in beneficial interest in assets held by community foundations	736	-	736
Total	<u>\$ 70,576</u>	<u>108,261</u>	<u>178,837</u>

January 06, 2026

Board of Directors

Kalamazoo Regional Educational Services Agency Foundation

We have audited the financial statements of Kalamazoo Regional Educational Services Agency Foundation for the year ended June 30, 2025, and we will issue our report thereon dated January 06, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated October 7, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kalamazoo Regional Educational Services Agency Foundation are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2025. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no matters related to sensitive accounting estimates.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Record \$65,000 of pass-through revenue and expenditures

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 06, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

This information is intended solely for the use of Board of Directors of Kalamazoo Regional Educational Services Agency Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Handwritten signatures of Flegal and Melnik, separated by a plus sign.

Flegal & Melnik