Youth Advancement Academy
Report on Financial Statements
(With required supplementary and other supplemental information)

Year Ended June 30, 2025

Youth Advancement Academy
Financial Report
For the Fiscal Year Ended
June 30, 2025

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HAVEN GROUP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Youth Advancement Academy
3410 Laird Ave
Kalamazoo, MI 49008

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Academy, as of June 30, 2025, 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.

Emphasis of Matter — Going Concern

As discussed in Note 12 to the financial statements, the Academy has experienced significant recurring operating losses, negative fund balance, and cash flow deficiencies as of June 30, 2025. These conditions, along with the uncertainty surrounding future state funding and the Academy's ability to generate sufficient revenues, raise substantial doubt about its ability to continue as a going concern.

Management's plans to address these matters are also described in Note 12. However, the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our opinion is not modified with respect to this matter.

Basis for Opinions

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 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 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 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 the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2025 on our consideration of the Academy's internal control over financial reporting and 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 the 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 the Academy's internal control over financial reporting and compliance.

Haven Group CPAs & Advisors

Haven Group CPAs & Advisors
Wyandotte, Michigan
October 27, 2025

YOUTH ADVANCEMENT ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

The Management's Discussion and Analysis section of the audit report is Youth Advancement Academy's (The Academy's) view of the Academy's financial condition and provides an opportunity to discuss important fiscal issues with the Board. Accounting rules require this discussion and analysis, which makes reporting of finances similar to that of a private business.

The management's discussion and analysis is provided at the beginning of the audit and organized so that the reader can understand the current position of the Academy's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Academy's revenues by program.

Using this Annual Report

The Academy's Annual Report consists of a series of financial statements that show information for the Academy as a whole, its funds, and its fiduciary responsibilities. The *Government Wide Financial Statements,* which include the **Statement of Net Position** and the **Statement of Activities** provide information about the district as a whole and present a longer-term view of the Academy's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The *Fund Financial Statements* provide detailed information about the Academy's most significant funds not the Academy as a whole. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Fund

YOUTH ADVANCEMENT ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Reporting the Academy as a whole – Government-wide Financial Statements

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

Reporting the Academy's most significant funds

The Academy's fund financial statements provide detailed information about the most significant fund - not the Academy as a whole. The governmental funds of the Academy use the following accounting approach:

Governmental funds - Most of the Academy's basic services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

YOUTH ADVANCEMENT ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

The Academy as a Whole

The Academy's net position was $13,686 at the end of June 30, 2025, and $371,887 as of June 30, 2024, representing a decrease in net position of $358,201. Of the total net position, ($2,271) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Academy's ability to use those funds for day-to-day operations. Our analysis below focuses on the **Net Position** (Table 1) and **Change in Net Position** (Table 2) of the Academy's governmental activities.

Net Position (Table 1)

	2025	2024
Assets:		
Current assets	$ 201,788	$ 488,513
Capital assets	15,957	-
Total assets	217,744	488,513
Liabilities:		
Current liabilities	204,059	116,626
Noncurrent liabilities	-	-
Total liabilities	204,059	116,626
Net Position (Deficit):		
Net investment in capital assets	15,957	-
Restricted	-	-
Unrestricted (Deficit)	(2,271)	371,887
Total Net Position (Deficit)	$ 13,686	$ 371,887

The Statement of Activities presented later in the government-wide financial statement, provides greater detail on the Academy's annual activity. The Statement of Activities (Table 2) shown below details the cost of the Academy's governmental activities and how those activities were financed.

Table 2
Changes in the Academy's Net Position

	2025	2024
Revenues:		
Program revenues:		
Grants and contributions	$ 95,430	$ 103,123
Charges for services	4,586	-
General revenues:		
State foundation allowance	201,970	420,051
Other	-	2,946
Total revenues	301,986	526,120
Expenses:		
Instruction	252,122	264,385
Support services	406,176	391,666
Unallocated depreciation	1,890	-
Total expenses	660,187	656,051
Change in net position - (decrease) increase	$ (358,201)	$ (129,931)
Net position (deficit), beginning of year	371,887	501,818
Net position (deficit), end of year	$ 13,686	$ 371,887

The school has sustained significant losses in the years ended June 30, 2025 and June 30, 2024. As a result, the Academy has a Net Position of $13,686, of which ($2,271) was unrestricted. The school has implemented a mitigation plan to address the significant losses. The Academy will approach the Authorizer for support with the new rental expenses of $48,000. The Academy will apply to local foundations for grants. The Academy will promote a Credit Recovery program to current high school partners and middle schools within the county to help students be able to graduate. Additionally, the Academy will cut costs through staff reduction, work reassignment, and transitioning contracted labor into part-time staff.

Financial Analysis of the Academy's Funds

The financial performance of the Academy as a whole is reflected in its governmental fund as well.

The Academy's operating grants are reimbursement based, so the amount of expenses directly affects the amount of revenue.

As reported in the statement of activities, the cost of all of our governmental activities this year was $660,187. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions of $82,576. We paid for the remaining "public benefit" portion of our governmental activities with our state foundation allowance, and with our other revenue, i.e., interest and unrestricted donations.

The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental fund reported a fund balance of ($2,271).

The General Fund balance is available to fund costs related to allowable school operating purposes.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were revisions made to the 2024-2025 General Fund original budget. Budgeted revenues decreased $30,307 in the final budget. This represents a change of 5% compared to the original budget.

Budgeted expenditures were increased $118,587 in the final budget. This represents a change of 18% compared to the original budget.

Actual revenues had an unfavorable variance of $280,332 compared to final budget. The State of Michigan adjusted back $106,235 in funds set aside for Strict Discipline Academies. The Board chose to list this as a long-term liability, coding the amount deducted from revenue as an expenditure each month. The total paid back by the end of the year was $45,528 in additional expenditures that were not anticipated at the time of budget adoption and approval. In addition to paying those funds back, we also didn't receive the $148,000 income from that fund that was anticipated either.

Actual expenses had a favorable variance of $116,516 compared to final budget.

Capital Asset and Budget Administration

Capital Assets - On June 30, 2025, the Academy had $15,957 invested in capital assets net of accumulated depreciation. Assets, net of accumulated depreciation will probably continue to decrease because the Academy at this time has no intention of purchasing many capital assets. Those already on the books will continue to depreciate.

The Academy's capital assets are as follows:

Table 3
Capital Assets

	Cost	Accumulated Depreciation	2025 Net Book Value	2024 Net Book Value
Furniture and Equipment	$ 17,846	$ 1,890	$ 15,957	$ -
Total	$ 17,846	$ 1,890	$ 15,957	$ -

Long-term debt Activity

At year-end, the Academy had no outstanding long-term debt obligations.

Economic Factors and Next Year's Budget

Our board officials and administration consider many factors when setting the Academy's June 30, 2026 fiscal year end budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2026 fiscal year is 90 percent and 10 percent of the October 2025 and February 2026 student counts, respectively. The June 30, 2026 year end budget was adopted in June 2025, based on an estimate of students that will be enrolled in October 2025. Approximately 75 percent of total General Fund revenue is from the foundation allowance.

Under state law, the Academy cannot access additional property tax revenue for general operations. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2026 school year, we anticipate that the fall student count will be above estimates used in creating the 2025 budget. Once the final student count and related per pupil funding is validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to Academies. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

Youth Advancement Academy
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Current Assets:	
Cash and equivalents	121,975
Receivables:	
Due from other governmental units	69,884
Prepaid expenditures and security deposits	9,929
Total Current Assets	201,788
Noncurrent Assets:	
Capital assets	17,846
Less accumulated depreciation	(1,890)
Total Noncurrent Assets	15,957
Total Assets	217,744
Liabilities	
Current Liabilities:	
Accounts payable	65,976
Accrued oversight fees	1,677
Accrued salary	45,347
Unearned revenue	91,058
Total Current Liabilities	204,059
Noncurrent Liabilities:	
Noncurrent portion of long term obligations	-
Total Noncurrent Liabilities	-
Total Liabilities	204,059
Net Position (Deficit):	
Net investment in capital assets	15,957
Unrestricted (Deficit)	(2,271)
Total Net Position (Deficit)	13,686

The notes to the financial statements are an integral part of this statement.

Youth Advancement Academy
Statement of Activities
June 30, 2025

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Governmental Activities: Net (expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	$ 252,122	$ -	$ -	$ (252,122)
Support services	406,176	-	95,430	(310,746)
Other	-	4,586	-	4,586
Unallocated depreciation	1,890	-	-	(1,890)
Total governmental activities	$ 660,187	$ 4,586	$ 95,430	$ (560,171)
General revenues:				
State of Michigan school aid unrestricted				201,970
Total general revenues				201,970
Change in net position (Decrease)				(358,201)
Net position, beginning of year (Deficit)				371,887
Net position, end of year (Deficit)				$ 13,686

The notes to the financial statements are an integral part of this statement.

Youth Advancement Academy
Balance Sheet
Governmental Funds
June 30, 2025

	General Fund	Other Nonmajor Governmental Fund - Student Activity	Total Governmental Funds
Assets			
Assets:			
Cash and cash equivalents	$ 121,975	$ -	$ 121,975
Receivables			
Due from other governmental units	69,884	-	69,884
Due from other funds	-	3,179	3,179
Prepaid expenditures and security deposits	9,929	-	9,929
Total Assets	$ 201,788	$ 3,179	$ 204,967
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 65,976	$ -	$ 65,976
Accrued oversight fees	1,677	-	1,677
Accrued salary	45,347	-	45,347
Due to other funds	3,179	-	3,179
Unearned revenue	91,058	-	91,058
Total Liabilities	207,238	-	207,238
Fund Balances:			
Nonspendable prepaid expenditures	9,929	-	9,929
Unassigned reported in general fund	(15,379)	-	(15,379)
Total Fund Balances	(5,450)	3,179	(2,271)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 201,788	$ 3,179	$ 204,967

The notes to the financial statements are an integral part of this statement.

Youth Advancement Academy
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position

June 30, 2025

Total governmental fund balances			$	(2,271)
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds				
The cost of capital assets is:	$	17,846		
Accumulated depreciation is:		(1,890)		15,957
Net position of governmental activities (deficit)			$	13,686

The notes to the financial statements are an integral part of this statement.

Youth Advancement Academy
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
June 30, 2025

	General Fund	Other Nonmajor Governmental Fund - Student Activity	Total Governmental Funds
Revenues:			
Local sources			
Student activities	$ 1,816	$ -	$ 1,816
Other	2,771	-	2,771
Total local sources	4,586	-	4,586
Intermediate sources	50,286	-	50,286
State sources	201,970	-	201,970
Federal sources	45,144	-	45,144
Total revenues	301,986	-	301,986
Expenditures:			
Current:			
Instruction	259,916	-	259,916
Support	416,228	-	416,228
Total expenditures	676,144	-	676,144
Excess (deficiency) of revenues over expenditures:	(374,158)	-	(374,158)
Net change in fund balance	(374,158)	-	(374,158)
Fund balances:			
Beginning of year	368,708	3,179	371,887
End of year	$ (5,450)	$ 3,179	$ (2,271)

The notes to financial statements are an integral part of this statement.

Youth Advancement Academy
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of Governmental Fund
To the Statement of Activities
June 30, 2025

Net change in fund balance total governmental fund increase	$ (374,158)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Capital outlay	17,846
Depreciation expense	(1,890)
Change in net position of governmental activities (Decrease)	$ (358,201)

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Youth Advancement Academy (the "Academy") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

A. Reporting Entity

The Academy is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993, and is subject to the leadership and general supervision of the State Board of Education. The Academy is under contract with the Kalamazoo Regional Educational Service Agency Board of Education to charter a public-school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. The Kalamazoo Regional Educational Service Agency Board of Education is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Kalamazoo Regional Educational Service Agency Board of Education 3% of total state aid as administrative fees. The Academy's reporting entity does not include any other component unit within its financial statements as defined in Governmental Accounting Standards Board *Statements Nos. 14 and 39*.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Academy. The government-wide financial statements categorize primary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities' column of the statement of net position. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net position as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

The statement of activities demonstrates the degree, to which the direct expenses, of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges paid by recipients who purchase, use or directly benefit from goods or services

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate Academy and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The Academy first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (State Foundation Aid, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (State Foundation Aid, intermediate district sources, interest income and other revenues).

The Academy does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Academy as an entity and the change in the Academy's net position resulting from the current year's activities.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through governmental funds. Effective July 1, 2010, the Academy has

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

implemented their Fund Balance Policy in Accordance with GASB Statement No. 54 as follows:

Purpose - The following policy has been adopted by the Board of Education in order to address the implications of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the Academy and jeopardize the continuation of necessary public services. This policy will ensure that the Academy maintains adequate fund balances and reserves in order to:

a. Provide sufficient cash flow for daily financial needs,

b. Secure and maintain investment grade bond ratings,

c. Offset significant economic downturns or revenues shortfalls and,

d. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the Academy's fund balance and reserve policies.

Fund type definitions - The following definitions will be used in reporting activity in governmental funds across the Academy. The Academy may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

- General fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

- Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

- Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

- Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

- Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the Academy's purposes.

Fund balance reporting in governmental funds - Fund balance will be reported in governmental funds under the following categories:

Nonspendable fund balance

Definition – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Classification – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The Academy will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the government).

- The Academy will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).

- The Academy will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained in-tact.

- The Academy will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale.

Restricted fund balance

Definition – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers; or through enabling legislation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Committed fund balance

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority (i.e., the Board of Education).

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the Board of Education. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

Assigned fund balance

Definition – includes amounts intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Authority to Assign – The Board of Education delegates to the Superintendent or his/her/their designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance

Definition – includes the residual classification for the Academy's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Operational Guideline – The following guidelines address in the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include non-spendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate.

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Academy to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Academy that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The Academy reports the following major governmental fund:

The G*eneral Fund*

Other Non-major Funds

The S*pecial Revenue Fund*

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

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 as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan.

The Michigan Department of Education administers the allocation of state funds to the charter school based on information supplied by the schools. For the year ended June 30, 2025, the foundation allowance was based on the pupil membership counts taken in February of 2025 and October of 2024.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October 2024 to August 2025. Thus, the unpaid portion at June 30, 2025 is reported as due from other governmental units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Academy also receives revenue from the State to administer certain categorical education programs. State rules required that revenue earmarked for these programs be expended for its specific purpose. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year is recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

D. Other Accounting Policies

1. Deposits and Investments

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools and* GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB No. 72 *Fair Value Measurements*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. Banks, and mutual funds composed of investments as outlined above. The Academy does not have any investments at June 30, 2025.

2. 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.

3. Capital Assets

Capital assets, include property, plant, and equipment, and are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of two years. Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value at the date of donation. The costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The Academy does not have infrastructure type assets.

Depreciation on all assets is provided using the straight-line method over the following useful lives:

Computers	5-10 years
Buildings	50 years
Furniture and fixtures	5-20 years
Site Improvements	20 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

4. Deferred Outflows/Inflows

In addition to assets, the statement of net position and/or balance sheet 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 then. The Academy does not have any outflows to report in the statement of net position and/or balance sheet as of June 30, 2025.

In addition to liabilities, the statement of net position and/or balance sheet 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 then. The Academy does not have any inflows to report in the statement of net position and/or balance sheet as of June 30, 2025.

5. Long-term obligations

In the government-wide financial statements, long-term debt obligations are reported as liabilities on the statement of net position. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method over the term of related debt. The difference between the reacquisition price and the net carrying amount of the old debt are reported as a deferred outflow of resources or deferred inflow of resources. Bond issuance cost is reported as debt expenditures at the time they are incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

6. Fair Value Measurements

The Academy is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Academy's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

7. Government-Wide Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Position consists of the following:

Net investment in Capital Assets – Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

Restricted net position – Consists of restricted assets less any accrued interest from the Academy's debt. This can only be used to pay the debt. As of June 30, 2025, the Academy has no restricted net position.

Unrestricted net position – Consists of all other assets that do not meet the definition of "restricted" or "Net investment in Capital Assets".

8. Governmental Fund Balance

The Academy's board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of a fund. Assigned fund balance is established by the Academy's board through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes). The Academy utilizes fund balance in the following order when an expenditure has been incurred for which more than one type of fund balance is available for that respective expenditure: Restricted, Committed, Assigned, Unassigned.

In the general fund, the Academy strives to maintain an unassigned fund balance to be used for unanticipated emergencies.

9. Use of Estimates

The process of preparing general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

10. New and Upcoming Accounting Pronouncements

In April 2024, the Governmental Accounting Standards Board issued GASB Statement No. 103 ("GASB 103"), *Financial Reporting Model Improvements.* The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The Academy is currently evaluating the impact this Statement will have on the Academy's financial statements when adopted.

In September 2024, the Governmental Accounting Standards Board issued GASB Statement No. 104 ("GASB 104"), *Disclosure of Certain Capital Assets.* State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The Academy is currently evaluating the impact this Statement will have on the Academy's financial statements when adopted.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for capital outlay which is reported in the function or activity it services. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year end.
The Academy maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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

1. The management company submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances – budget and actual – general fund and special revenue funds.

2. Public hearings are conducted to obtain local public comments.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances in the budgetary comparison schedule – general fund and special revenue funds.

4. The management company is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

5. Formal budgetary integration is employed as a management control device during the year for the general fund and the special revenue funds.

6. The budget as presented has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

7. The Academy had the following General Fund budget function overdrafts for the year ended June 30, 2025:

Added Needs	$14,951
Instructional Staff	3,250
Business and Fiscal Services	7,210

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the Academy amends its budget during the school year. In fact, all Michigan academies must complete a second full budget after the state's official student membership count date (the first Wednesday in October), because only then are they knowledgeable of their Foundation Grant's income level. These revisions are made in order to deal with the unexpected changes in revenues and expenditures.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash is held in the name of the Academy in the general fund. These deposits are subject to custodial credit risk.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the Academy. The Academy does not have a deposit policy for custodial credit risk. As of June 30, 2025, none of the Academy's bank balance of $128,458 was exposed to custodial credit risk because it was insured in full by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures bank deposits up to $250,000.

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

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

Interest rate risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Academy Policy minimizes interest rate risk by requiring the Academy to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools, and limiting the average maturity in accordance with the Academy's cash requirements.

Credit risk - State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Academy's investment policy does not have specific limits in excess of state law on investment credit risk.

Concentration of credit risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Academy's policy does not have specific limits in excess of state law on concentration of credit risk. The Academy had no investments held at year end.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Due from governmental units June 30, 2025 consist of the following:

	General
State Aid	$ 55,905
Federal	13,978
Net Total Due from Governmental Units	$ 69,884

All receivables were deemed collectible as of June 30, 2025. No allowance for doubtful accounts is considered necessary.

NOTE 5 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Depreciable Assets:				
Furniture, Fixtures, Equipment	$ -	$ 17,846	$ -	$ 17,846
Total	-	17,846	-	17,846
Accumulated Depreciation:				
Furniture, Fixtures, Equipment	-	(1,890)	-	(1,890)
Total	-	(1,890)	-	(1,890)
Net Depreciable Capital Assets	-			15,957
Governmental Activities Capital Assets, net	$ -			$ 15,957

Depreciation is computed by the straight-line method for all classes of assets. Depreciation for the fiscal year ended June 30, 2025 amounted to $1,890. The Academy determined that it was impractical to allocate depreciation and amortization to the various governmental activities as the assets serve multiple functions.

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the Academy, the interfund receivables and payables are funds held in the General Fund's bank that are available to the Student Activity Fund. A schedule of interfund balances follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Student Activity	$ 3,179	General Fund	$ 3,179

NOTE 7 – 25F DEFERRED ADJUSTMENT

The Academy receives 25F funding from the State of Michigan. This funding is provided for Strict Discipline Academies. Every fall, the current year 25F funding is paid and is estimated based on prior year's audited financial statements. The state also adjusts the prior year's estimated funding to actual based on a calculation of both added costs and a per-pupil basis. At June 30, 2025 the adjustment for the Academy resulted in a $91,058 deferred adjustment that the state will adjust back from the Academy when distributing state aid over the following months:

July 2025	$3,794
August 2025	3,794
October 2025	41,375
October 2026	41,375

Starting with the 2025-2026 academic year, the state has simplified the funding to be paid solely on a per-pupil basis.

NOTE 8 – MANAGEMENT COMPANY

On July 1, 2020, the Academy entered into a Management Services Agreement for management services with Educational Partnerships, Inc. beginning on July 1, 2020. The Management Services Agreement was amended on June 13, 2023 to extend services through June 30, 2026. Under the terms of the agreement, Educational Partnerships, Inc. provides all the required labor, materials, and supervision necessary for the provision of educational services to the students, and is responsible for all the management operation, administration, and education at the Academy. The management company's fee under this contract were $124,000 for the year ended June 30, 2025.

NOTE 9 – OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to the Kalamazoo Regional Educational Service Agency Board of Education, as set forth by contract, to reimburse the Kalamazoo Regional Educational Service Agency Board of Education for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2025, the Academy incurred expense of $9,246 for oversight fees.

NOTE 10 – RISK MANAGEMENT

The Academy is exposed to various risk of loss related to: torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Academy continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2025 or any of the prior three years.

NOTE 11 – FACILITIES

During the year ended June 30, 2025, the Academy used facilities owned by a public school district under a one-year agreement with Kalamazoo Public Schools for partial use of a building to house its operations. The lease agreement terminated on June 30, 2025. The lease agreement had no expectation of a lease beyond that date. Rent for the use of the building was $4,103 per month. Total rent expense for the fiscal year ending June 30, 2025 was $49,236.

A subsequent one-year agreement was signed with Kalamazoo Public Schools for use of facilities for the 2025-2026 fiscal year.

NOTE 12 — GOING CONCERN CONSIDERATIONS

The Academy's General Fund reported a deficit fund balance of $2,271 as of June 30, 2025, and has experienced recurring operating losses and cash flow shortfalls over the past three fiscal years. These conditions raise substantial doubt about the Academy's ability to continue as a going concern within one year after the date that these financial statements are issued.

Management has developed plans intended to improve financial conditions, including seeking additional financial assistance in the form of government and private grants and exploring various cost-reduction measures. The implementation of these plans is subject to approval and uncertain outcomes.

Because the effectiveness of these plans cannot be assured, management believes that substantial doubt about the Academy's ability to continue as a going concern remains. Accordingly, these financial statements have been prepared using the going concern basis of accounting, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 13 – CONCENTRATION RISKS AND CONTINGENCIES

The Academy receives approximately 70% of its total revenue from the State of Michigan. Any cuts made by the State of Michigan would adversely affect the financial position of the Academy.

The Academy had no contingencies at June 30, 2025.

NOTE 14 – SUBSEQUENT EVENTS

Evaluation of Events and Transactions

The Academy's management has evaluated subsequent events through October 27, 2025, the date which the financial statements were available to be issued.

In July 2025, the Academy entered into a one-year lease agreement with the Kalamazoo Public Schools for partial use of a building to house its operations. The lease agreement terminates on June 30, 2026. The Academy has no expectation of a lease beyond that date.

Rent for the use of the building is $4,103 per month. Total rent expense for the upcoming fiscal year ending June 30, 2026 will be $49,236.

REQUIRED SUPPLEMENTARY INFORMATION

Youth Advancement Academy
Budgetary Comparison Schedule
General Fund
June 30, 2025

	Original Budget	Final Budget	Actual	Variance with final budget Favorable (Unfavorable)
Revenues:				
Local sources	$ 670	$ 1,704	$ 4,586	$ 2,882
State sources	448,699	437,867	201,970	(235,897)
Federal sources	128,435	93,461	50,286	(43,175)
Other	34,821	49,286	45,144	(4,142)
Total revenues	612,625	582,318	301,986	(280,332)
Expenditures:				
Current:				
Instruction:				
Basic programs	151,035	149,444	76,828	72,616
Added needs	127,796	168,137	183,088	(14,951)
Total instruction	278,831	317,581	259,916	57,665
Support services:				
Pupil	39,398	10,741	10,741	-
Instructional staff	5,000	330	3,580	(3,250)
General administration	155,111	154,572	149,899	4,673
School administration	120,443	155,071	104,068	51,003
Business and fiscal services	53,100	22,925	30,135	(7,210)
Operation & maintenance	1,000	60,793	47,732	13,061
Central	21,190	21,410	20,837	573
Other	-	49,237	49,236	1
Total support services	395,242	475,079	416,228	58,851
Total expenditures	674,073	792,660	676,144	116,516
Excess (deficiency) of revenues over expenditures	(61,448)	(210,342)	(374,158)	(163,816)
Net change in fund balance	(61,448)	(210,341)	(374,158)	(163,816)
Fund balance:				
Beginning of year	371,887	371,887	371,887	-
End of year	$ 310,439	$ 161,546	$ (2,271)	(163,816)

OTHER SUPPLEMENTAL INFORMATION

HAVEN GROUP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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 Education
Youth Advancement Academy
Kalamazoo, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Youth Advancement Academy (the Academy) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 27, 2025.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Academy's internal control over financial reporting (internal control) to determine the 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 the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Academy'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 deficiency in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haven Group CPAs & Advisors

Haven Group CPAs & Advisors
Wyandotte, Michigan
October 27, 2025

YOUTH ADVANCEMENT ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditors' Report Issued: Unmodified

Internal Control over Financial Reporting:

* Material weakness(es) identified?	___Yes	___X__No
* Significant deficiency (ies) identified that are not considered to be material weaknesses?	____Yes	___X__No
Noncompliance material to financial statements noted?	____Yes	___X__No

GOVERNMENT AUDITING STANDARDS FINDINGS

None.

FEDERAL PROGRAM AUDIT FINDINGS

None.

YOUTH ADVANCEMENT ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

GOVERNMENT AUDITING STANDARDS FINDINGS

2024-001 – Timely Year-End Closing and Workpaper Reconciliation

Finding Type. The Academy did not provide the final unaudited trial balance to the auditor until October 29, 2024.

Criteria. The Academy should provide the accounting information to the auditor with sufficient time to perform the audit and make the required submission to the MDE.

Condition. There was insufficient time to complete the audit and submit the audited financial statements to MDE by the November 1, 2024 deadline.

Cause. Academy management has not dedicated the necessary time and resources to make the timely and accurate recording of the Academy's operations a priority. The Management Company experienced turnover in a key financial position during the year ended June 30, 2024.

Effect. Provide the accounting information to the auditor with sufficient time to perform the audit and make the required audit submission to MDE.

Management's Response. Given the transition in company ownership, all parties experienced delays in the audit process. We have worked to address these timing issues and will submit an on-time audit next year.

Auditor's Response. Final unaudited trial balance was submitted to the auditor timely for the June 30, 2025 fiscal year audit.

FEDERAL PROGRAM AUDIT FINDINGS

None.

HAVEN GROUP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

October 27, 2025

Board of Education
Youth Advancement Academy
Kalamazoo, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Youth Advancement Academy (the Academy) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, Government Auditing Standards and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 27, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 8, 2025, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management discussion analysis and the budgetary comparison schedule of major fund, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on other supplementary information such as the nonmajor combining statements which accompany the financial statements but are not RSI. Our responsibility for these supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

1400 Biddle Avenue, Wyandotte, MI 48192 Phone (734) 246-9240 Fax (734) 246-8635

Planned Scope, Timing of the Audit, and Other

We performed our audit according to the planned scope and timing previously communicated in our discussion with the Board of Education President and in our engagement letter about the audit scope and timing.

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 Academy are described in Note 1 to the financial statements.

We noted no transactions entered into by Academy 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. The most sensitive estimate affecting the Academy's financial statements relate to estimating the Accrued Salaries.

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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are:

- Going Concern Considerations

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.

Uncorrected Misstatements and Corrected Misstatements

Professional standards require us to accumulate all known and likely 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 misstatements noted during the audit. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 October 27, 2025.

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 governmental unit'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 Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion & Analysis, Budgetary Comparison Schedule (General Fund), and notes to required supplementary information which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the other supplemental information accompanying the financial statements that are not RSI, as shown in the table of contents, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Board of Education and management of Youth Advancement Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Haven Group CPAs & Advisors

Haven Group CPAs & Advisors
Wyandotte, Michigan
October 27, 2025