



Audited Financial Statements

KEYS Grace Academy

Madison Heights, Michigan

June 30, 2025

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Independent Auditors' Report

Board of Directors and Management
KEYS Grace Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the KEYS Grace 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Academy, as of June 30, 2025, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying supplementary information, as identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2025 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

CBIZ CPAs P.C.

Rochester, MI
November 21, 2025



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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors and Management of
KEYS Grace Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the governmental activities and each major fund of KEYS Grace 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 November 21, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

CBIZ CPAs P.C.

CBIZ CPAs P.C.
Rochester, MI

November 21, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of KEYS Grace Academy’s, “KEYS”, annual financial report presents our discussion and analysis of the School’s financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the School’s financial statements, which immediately follow this section.

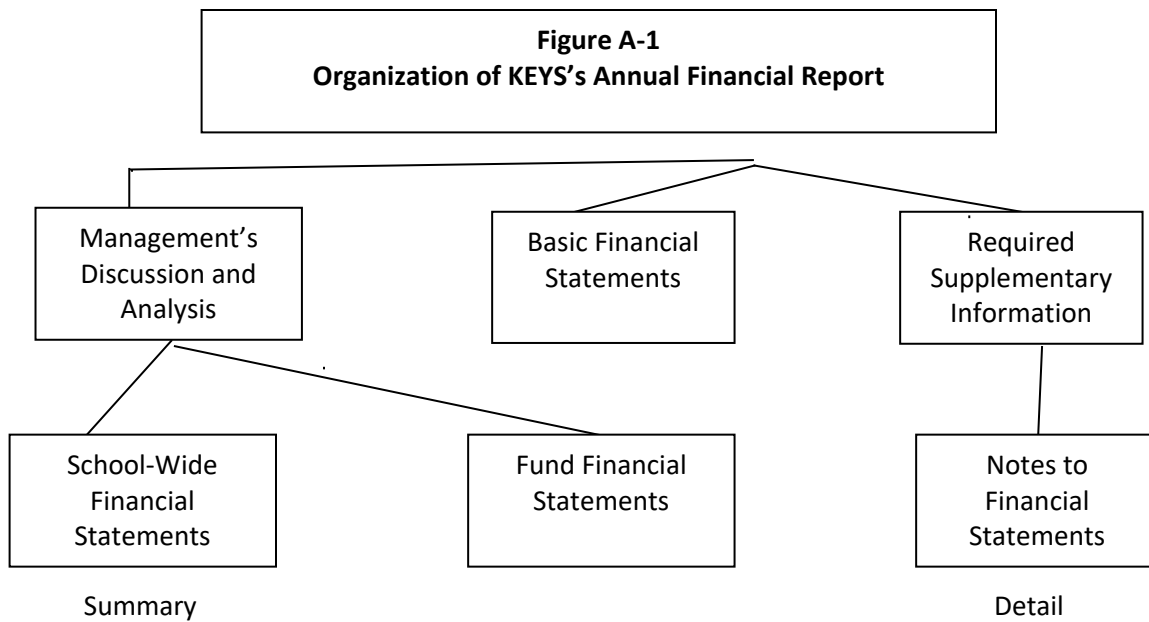
FINANCIAL HIGHLIGHTS

- ❖ The School’s general fund balance is positive after the School’s tenth year of operations.
- ❖ The total cost of basic programs was \$2,003,568.
- ❖ General fund revenues were at \$9,382,766 while expenditures were \$9,412,032 in the General Fund.
 - Blended enrollment used for state aid purposes was 526.26.
- ❖ The School has a fund balance in the General Fund of \$738,797.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The financial statements include two kinds of statements that present different views of the school:

- The first two statements are school-wide financial statements that provide both short-term and long-term information about the school’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the school’s operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of School-Wide and Fund Financial Statements

	School-Wide Statements	Government Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.
Required Financial Statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when good or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the school's financial statements, including the portion of the school's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

SCHOOL-WIDE STATEMENTS

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

The two school-wide statements report the school's net position and how it has changed. Net position – the difference between the school's assets, deferred outflows, liabilities, and deferred inflows – are one way to measure the school's financial health or position.

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

FUND FINANCIAL STATEMENTS

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

- ❖ *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has one kind of fund:

- ❖ *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The School's financial position is the product of many factors. The fiscal year ended June 30, 2025 was the School's ninth year of operations. Award and receipt of grant funds as well as a generous local contribution resulted in an overall positive net position.

School Governmental

The stability of the School's finances is a result of the following measures:

- ❖ KEYS ended the year with a positive net position and has established a consistent and reliable positive cash flow, despite timing differences between revenue receipts and expenditures
- ❖ Enrollment at KEYS has grown, which will assist in maintaining a balanced budget in future fiscal years.

General Fund Budgetary Analysis

Over the course of the year, the School reviewed the annual operating budget several times and amended it once. The following operational changes were made:

- ❖ Significant changes were made in the fourth quarter to account for final enrollment counts, and changes in assumptions since the original budget was adopted.

Financial Outlook

KEYS Grace Academy's financial forecast is cautiously optimistic heading into the 2025/2026 school year. This is partly due to the following:

- ❖ Enrollment is trending upwards.
- ❖ A stable Administration is in place.

Table A-3
KEYS' Net Position

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 4,877,543	\$ 5,976,620
Capital assets	<u>2,175,622</u>	<u>2,122,355</u>
Total assets	<u>7,053,165</u>	<u>8,098,975</u>
Long-term debt outstanding	1,392,415	1,650,709
Other liabilities	<u>2,537,607</u>	<u>3,623,983</u>
Total liabilities	3,930,022	5,274,692
Net position:		
Net investment in capital assets	524,913	219,983
Restricted for debt service and capital projects	1,831,696	1,833,882
Unrestricted	<u>766,534</u>	<u>770,418</u>
Total net position	<u><u>\$ 3,123,143</u></u>	<u><u>\$ 2,824,283</u></u>

Table A-4
Changes in KEYS' Net Position

	<u>2025</u>	<u>2024</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,673	\$ -
Federal and State operating grants	6,197,425	6,806,486
General Revenues:		
State aid-unrestricted	7,524,065	6,618,745
Miscellaneous	<u>174,726</u>	<u>141,598</u>
Total revenues	13,900,889	13,566,829
Expenses:		
Instruction	3,628,825	3,671,499
Support services	9,605,633	8,901,608
Unallocated depreciation / amortization	313,942	311,760
Unallocated interest	<u>53,629</u>	<u>61,161</u>
Total expenses	<u>13,602,029</u>	<u>12,946,028</u>
Change in net position	<u><u>\$ 298,860</u></u>	<u><u>\$ 620,801</u></u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2025, KEYS had invested \$3,423,497 in capital assets, for building improvements. See Table A-5 below for a listing of capital assets, and the accumulated depreciation/amortization. Further information can be found in Note 5 of the financial statements.

Table A-5
KEYS' Capital Assets

	Balance June 30, 2025	Balance June 30, 2024
Building improvements	\$ 540,859	\$ 232,000
Equipment and furniture	234,646	176,296
Right to use assets	2,647,992	2,647,992
Subtotal	3,423,497	3,056,288
Less: accumulated depreciation / amortization	1,247,875	933,933
Net book value of assets	<u>\$ 2,175,622</u>	<u>\$ 2,122,355</u>

Long-Term Debt

The Academy shows long-term debt of \$1,650,709 representing finance leases as of June 30, 2025.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- ❖ Improvement of enrollment trends
- ❖ State aid foundation stabilized with federal funds
- ❖ Stabilized staffing
- ❖ Renewed school purpose

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the school's office at:

KEYS Grace Academy, 27321 Hampden Street, Madison Heights, MI 48071

KEYS GRACE ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2025

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,030,594
Accounts receivable	110,677
Inventory	27,737
Due from other governmental units	2,706,393
Prepaid expenses	<u>2,142</u>
Total current assets	4,877,543

Capital Assets - Net of Accumulated Depreciation / Amortization

2,175,622

Total assets	<u><u>\$ 7,053,165</u></u>
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LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 680,578
Unearned revenue	939,649
Other accrued liabilities	659,086
Long-term debt - current portion	<u>258,294</u>
Total current liabilities	2,537,607

Long-Term Debt - Long-Term Portion

1,392,415

Net Position

Net investment in capital assets	524,913
Restricted for food services	1,831,696
Unrestricted	<u>766,534</u>
Total net position	<u>3,123,143</u>
Total liabilities and net position	<u><u>\$ 7,053,165</u></u>

See accompanying notes to financial statements

KEYS GRACE ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

					Net (Expense) Revenues and Changes in Net Position
				Program Revenues	
	Expenses	Charges for Services		Operating Grants	Government Type Activities
Functions					
Instruction					
Basic programs	\$ 2,003,568	\$ -	\$ 312,816		\$ (1,690,752)
Added needs	1,625,257	-	838,111		(787,146)
Support services					
Pupil support services	258,367	-	142,874		(115,493)
Instructional staff support services	551,002	-	119,488		(431,514)
General administration	1,236,414	-	2,044		(1,234,370)
School administration	221,625	-	-		(221,625)
Business support services	82,106	-	-		(82,106)
Operations and maintenance	696,325	-	78,392		(617,933)
Pupil transportation services	1,868,715	-	114,067		(1,754,648)
Central support services	86,859	-	-		(86,859)
Food services	4,476,119	4,673	4,516,450		45,004
Community services	119,170	-	64,252		(54,918)
Prior period adjustments	8,931		8,931		-
Unallocated depreciation / amortization	313,942	-	-		(313,942)
Unallocated interest	53,629	-	-		(53,629)
Total primary government	<u>\$ 13,602,029</u>	<u>\$ 4,673</u>	<u>\$ 6,197,425</u>		<u>(7,399,931)</u>
General Purpose Revenues					
State school aid - unrestricted					7,524,065
Miscellaneous revenues					<u>174,726</u>
Total general purpose revenues					<u>7,698,791</u>
Change in net position					298,860
Net position - July 1, 2024					<u>2,824,283</u>
Net position - June 30, 2025					<u>\$ 3,123,143</u>

See accompanying notes to financial statements

KEYS GRACE ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2025

ASSETS

	General	Special Revenue - Food Service	Total
Cash and cash equivalents	\$ 1,939,374	\$ 91,220	\$ 2,030,594
Accounts receivable	110,677	-	110,677
Inventory	-	27,737	27,737
Due from other governmental units	1,472,225	1,234,168	2,706,393
Due from other funds	-	506,308	506,308
Prepaid expenses	2,142	-	2,142
Total assets	<u>\$ 3,524,418</u>	<u>\$ 1,859,433</u>	<u>\$ 5,383,851</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 680,578	\$ -	\$ 680,578
Due to other funds	506,308	-	506,308
Unearned revenue	939,649	-	939,649
Other accrued liabilities	659,086	-	659,086
Total liabilities	2,785,621	-	2,785,621

Fund Balance

Nonspendable	2,142	27,737	29,879
Restricted	-	1,831,696	1,831,696
Unassigned	736,655	-	736,655
Total fund balance	<u>738,797</u>	<u>1,859,433</u>	<u>2,598,230</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,524,418</u>	<u>\$ 1,859,433</u>	<u>\$ 5,383,851</u>

See accompanying notes to financial statements

KEYS GRACE ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2025

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

Total Governmental Fund Balances	\$ 2,598,230
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,423,497 and the accumulated depreciation / amortization is \$1,247,875.	2,175,622
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,650,709)</u>
Net Position of Governmental Activities	<u><u>\$ 3,123,143</u></u>

See accompanying notes to financial statements

KEYS GRACE ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2025

	General	Special Revenue - Food Service	Total
Revenues			
Local sources	\$ 167,901	\$ 4,673	\$ 172,574
State sources	8,570,533	(24,094)	8,546,439
Federal sources	637,507	4,540,544	5,178,051
Inter-district sources	6,825	-	6,825
Total governmental fund revenues	9,382,766	4,521,123	13,903,889
Expenditures			
Instruction			
Basic programs	2,003,568	-	2,003,568
Added needs	1,625,257	-	1,625,257
Support services			
Pupil support services	258,367	-	258,367
Instructional staff support services	551,002	-	551,002
General administration	1,236,414	-	1,236,414
School administration	221,625	-	221,625
Business support services	82,106	-	82,106
Operations and maintenance	696,325	-	696,325
Pupil transportation services	1,868,715	-	1,868,715
Central support services	86,859	-	86,859
Food services	-	4,476,119	4,476,119
Community services	119,170	-	119,170
Prior period expenditures	8,931	-	8,931
Capital outlay	348,401	18,808	367,209
Debt principal and interest	305,292	-	305,292
Total governmental fund expenditures	9,412,032	4,494,927	13,906,959
Excess of revenues over expenditures	(29,266)	26,196	(3,070)
Other Financing Sources (Uses)			
Operating transfers in	36,600	-	36,600
Operating transfers out	-	(36,600)	(36,600)
Total other financing sources (uses)	36,600	(36,600)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	7,334	(10,404)	(3,070)
Fund balance - July 1, 2024	731,463	1,869,837	2,601,300
Fund balance - June 30, 2025	\$ 738,797	\$ 1,859,433	\$ 2,598,230
See accompanying notes to financial statements			

KEYS GRACE ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

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

Net Change in Fund Balances - Total Governmental Funds	\$	(3,070)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	367,209	
Depreciation and amortization expense		<u>(313,942)</u>	53,267

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days		(3,000)
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal		<u>251,663</u>
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Change in Net Position of Governmental Activities	\$	<u>298,860</u>
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See accompanying notes to financial statements

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

KEYS Grace Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on June 8, 2015 and began operation in September 2015.

In July 2020, the Academy extended its contract with the Madison District Public Schools Board of Education to charter a public school academy through June 30, 2031. 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 District’s 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 Madison District Public Schools Board of Education three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2025 were approximately \$206,900.

In July 2015, the Academy entered into a five-year agreement with Kalasho Empowerment of Young Scholars, LLC (KEYS). The agreement has been subsequently renewed to run concurrently with the authorizer contract noted above. Under the terms of this agreement, KEYS provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay KEYS ten (10) percent of the Academy's gross revenues. The gross revenues include all receipts of the Academy, excluding any proceeds from borrowings undertaken by the Academy. The total paid for these services amounted to approximately \$890,000 for the year ended June 30, 2025.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

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

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

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

Governmental Funds

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

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund (Food Service)- The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund.

Debt Service Fund - The debt service fund, which the Academy does not currently maintain, is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

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

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

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

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

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

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

Cash and Cash Equivalents

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

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

investment until maturity. The Academy held no investments during the year ended June 30, 2025. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Accounts receivable and due from other governmental units at June 30, 2025 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables were fully collected in July and August of 2025 and are considered measurable and available for the purposes of these financial statements.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Inventory

Inventory is valued at cost and consists of supplies and recorded as an expenditure/expense when consumed rather than purchased.

Capital Assets and Depreciation

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

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

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

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accrued Liabilities and Long-Term Obligations

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

Net Position

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position is displayed in the following three components:

Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization and reduced by any outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of Net investment in capital assets or Restricted.

Fund Balance

The Academy adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts that can only be used for specific purposes pursuant to specific purposes imposed by formal action of the Academy's highest level of decision-making authority, the Board. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that include the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Prior Period Adjustments

Prior period revenue adjustments are sometimes recognized as a result of recalculations or items that were not spent that originate from state based funding. In certain cases more is owed to the Academy or the Academy may owe amounts back to the various state based programs. The Michigan Department of Education provides an accounting structure for these state revenue changes from prior years that is identified as prior period adjustments within its state required uniform chart of accounts.

Leases

Leases and Subscription Based IT Arrangements (SBITA)

The Academy is a lessee for a noncancelable lease/subscription of a building and equipment. The Academy recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

Estimates

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

Implemented and Upcoming Accounting Pronouncements

The Academy implemented the following GASB pronouncements during the school year: GASB Statement No. 101, Compensated Absences and GASB Statement No. 102, Certain Risk Disclosures. These pronouncements did not impact the financial statements during the current school year.

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

- e. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- f. Unusual or infrequent items;
- g. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - iv. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - v. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- h. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;
- i. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

In September 2024, the GASB issued Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 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.

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2025 the budgets were amended in a legally permissible manner. A comparison of amounts appropriated against actual results for the year ended June 30, 2025 can be found on pages 20 and 21 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2025, the Academy did not hold any investments.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2025, the Academy did not hold any investments.

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS – Continued

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2025, approximately \$1,795,455 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2025.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counter party, 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. As of June 30, 2025, the Academy did not hold any investments.

Foreign Currency Risk

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

Fair Value

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

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

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

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

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$ 253,605
State sources	1,041,747
Federal sources	<u>1,411,041</u>
Total	<u>\$ 2,706,393</u>

NOTE 5 – CAPITAL ASSETS

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

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2025</u>
Capital assets subject to depreciation / amortization				
Right to use - assets	\$ 2,647,992	\$ -	\$ -	\$ 2,647,992
Building improvements	232,000	308,859	-	540,859
Equipment	<u>176,296</u>	<u>58,350</u>	<u>-</u>	<u>234,646</u>
Total asset cost basis	3,056,288	367,209	-	3,423,497
Accumulated depreciation / amortization				
Right to use - assets	816,859	265,103	-	1,081,962
Building improvements	48,508	8,436	-	56,944
Equipment	<u>68,566</u>	<u>40,403</u>	<u>-</u>	<u>108,969</u>
Sub-total	<u>933,933</u>	<u>313,942</u>	<u>-</u>	<u>1,247,875</u>
Total net capital assets	<u>\$ 2,122,355</u>	<u>\$ 53,267</u>	<u>\$ -</u>	<u>\$ 2,175,622</u>

Depreciation and amortization expense is reported as unallocated in the Statement of Activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 6 – OTHER ACCRUED LIABILITIES

Other accrued liabilities may be summarized as follows:

Purchased services - payroll and benefits	\$	616,688
Management fee		4,753
Oversight fee		37,645
Total other accrued liabilities	\$	<u>659,086</u>

NOTE 7 – LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2025:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Direct borrowing - facilities	3.00%	June 2031	Related party facility lease payable \$25,000 monthly
Direct borrowing - copiers	3.00%	Through January 2027	3 copier leases

Loan Activity

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>
Direct borrowing - facilities	\$ 1,892,034	\$ -	\$ 246,612	\$ 1,645,422	\$ 254,113
Direct borrowing - copiers	10,338	-	5,051	5,287	4,181
Total long term debt	<u>\$ 1,902,372</u>	<u>\$ -</u>	<u>\$ 251,663</u>	<u>\$ 1,650,709</u>	<u>\$ 258,294</u>

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 7 – LONG-TERM OBLIGATIONS - Continued

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2026	\$ 258,294	\$ 45,979
2027	262,948	38,168
2028	269,806	30,195
2029	278,012	21,988
2030	286,468	13,532
2031	295,181	4,819

Amounts included in expense under related party lease amounted to \$300,000. Amounts included in accounts payable at June 30, 2025 amounted to \$75,000.

NOTE 8 – INTERFUND TRANSFERS

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

	<u>General</u>	<u>Special Revenue - Food Service</u>
Transfer In	\$ 36,600	\$ -
Transfer Out	-	36,600

NOTE 9 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

KEYS GRACE ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance
Revenues				
Local sources	\$ 90,000	\$ 55,226	\$ 167,901	\$ 112,675
State sources	7,641,090	8,424,011	8,570,533	146,522
Federal sources	450,000	527,499	637,507	110,008
Interdistrict sources	-	-	6,825	6,825
Total general fund revenues	8,181,090	9,006,736	9,382,766	376,030
Expenditures				
Instruction				
Basic programs	2,400,000	2,172,899	2,003,568	(169,331)
Added needs	1,450,000	1,536,442	1,625,257	88,815
Support services				
Pupil support services	145,000	259,000	258,367	(633)
Instructional staff support services	350,000	513,279	551,002	37,723
General administration	590,000	1,333,100	1,236,414	(96,686)
School administration	252,000	277,946	221,625	(56,321)
Business support services	780,000	74,212	82,106	7,894
Operations and maintenance	910,000	894,245	696,325	(197,920)
Pupil transportation services	1,280,000	1,750,000	1,868,715	118,715
Central support services	35,000	214,201	86,859	(127,342)
Community services	10,000	91,723	119,170	27,447
Capital outlay	-	298,860	348,401	49,541
Prior period adjustments	-	8,931	8,931	-
Debt principal and interest	-	-	305,292	305,292
Total general fund expenditures	8,202,000	9,424,838	9,412,032	(12,806)
Excess (deficiency) of revenues over expenditures	(20,910)	(418,102)	(29,266)	388,836
Other Financing Sources (Uses)				
Lease issued	-	418,102	-	(418,102)
Operating transfers in	90,000	-	36,600	36,600
Total other financing sources (uses)	90,000	418,102	36,600	(381,502)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	69,090	-	7,334	7,334
Fund balance - July 1, 2024	731,463	731,463	731,463	-
Fund balance - June 30, 2025	\$ 800,553	\$ 731,463	\$ 738,797	\$ 7,334

KEYS GRACE ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND – FOOD SERVICE FOR THE YEAR ENDED JUNE 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ -	\$ -	\$ 4,673	\$ 4,673
State sources	195,000	(21,964)	(24,094)	(2,130)
Federal sources	3,730,000	4,342,067	4,540,544	198,477
Interdistrict sources	15,000	8,246	-	(8,246)
	<u>3,940,000</u>	<u>4,328,349</u>	<u>4,521,123</u>	<u>192,774</u>
Expenditures				
Support services				
Food services	4,003,200	4,637,890	4,476,119	(161,771)
Capital outlay	-	-	18,808	18,808
	<u>4,003,200</u>	<u>4,637,890</u>	<u>4,494,927</u>	<u>(142,963)</u>
Excess (deficiency) of revenues over expenditures	(63,200)	(309,541)	26,196	335,737
Other Financing Sources (Uses)				
Operating transfers out	-	-	(36,600)	(36,600)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(63,200)	(309,541)	(10,404)	299,137
Fund balance - July 1, 2024	<u>1,869,837</u>	<u>1,869,837</u>	<u>1,869,837</u>	<u>-</u>
Fund balance - June 30, 2025	<u>\$ 1,806,637</u>	<u>\$ 1,560,296</u>	<u>\$ 1,859,433</u>	<u>\$ 299,137</u>

SUPPLEMENTARY INFORMATION

KEYS GRACE ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

Local Sources

Other local revenues	\$ 167,901
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State Sources

At risk	994,615
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Special education	51,853
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State aid	<u>7,524,065</u>
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Total state sources	8,570,533
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Federal Sources

IDEA	33,197
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Title I	284,271
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Title II A	32,151
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Title III	63,168
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Title IV	32,835
----------	--------

Other program revenue	<u>191,885</u>
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Total federal sources	637,507
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Interdistrict Sources

<u>6,825</u>

Total general fund revenues	<u><u>\$ 9,382,766</u></u>
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KEYS GRACE ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

Basic Programs

Purchased services	\$ 1,747,699
Rentals	10,532
Supplies and materials	245,247
Other expenditures	<u>90</u>
Total basic programs	2,003,568

Added Needs

Purchased services	1,556,293
Supplies and materials	66,734
Other expenditures	<u>2,230</u>
Total added needs	1,625,257

Pupil Support Services

Truancy services	73,439
Guidance services	56,955
Health services	64,127
Psychological services	1,737
Speech pathology and audiology	20,201
Social work services	<u>41,908</u>
Total pupil support services	258,367

Instructional Staff Support Services

Purchased services	535,140
Supplies and materials	15,850
Other expenditures	<u>12</u>
Total instructional staff support services	551,002

General Administration

Purchased services	1,135,925
Repairs and maintenance	18,077
Rentals	23,783
Supplies and materials	27,120
Other expenditures	<u>31,509</u>
Total general administration	1,236,414

KEYS GRACE ACADEMY

SCHEDULE OF EXPENDITURES - GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2025

School Administration

Purchased services	221,580
Other expenditures	<u>45</u>
Total school administration	221,625

Business Support Services

Purchased services	78,192
Other expenditures	<u>3,914</u>
Total business support services	82,106

Operations and Maintenance

Purchased services	675,636
Repairs and maintenance	13,461
Supplies and materials	1,465
Other expenditures	<u>5,763</u>
Total operations and maintenance	696,325

Pupil Transportation Services

Purchased services	1,864,366
Rentals	2,133
Supplies and materials	<u>2,216</u>
Total pupil transportation services	1,868,715

Central Support Services

Purchased services	54,900
Rentals	<u>31,959</u>
Total central support services	86,859

KEYS GRACE ACADEMY

SCHEDULE OF EXPENDITURES - GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2025

Community Services	
Purchased services	119,170
Prior Period Adjustments	8,931
Capital Outlay	348,401
Debt Principal and Interest	<u>305,292</u>
Total general fund expenditures	<u><u>\$ 9,412,032</u></u>

KEYS Grace Academy

**Additional Reports Required by
Uniform Guidance**

Year Ended June 30, 2025

C O N T E N T S – Continued

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**Independent Auditors' Report on the Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

To the Board of Directors and Management of
KEYS Grace Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the KEYS Grace 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 District's basic financial statements. We issued our report thereon dated November 21, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 21, 2025.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CBIZ CPAs P.C.

CBIZ CPAs P.C.
Rochester, MI

January 31, 2025



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**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

To the Board of Directors and Management of
KEYS Grace Academy

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited KEYS Grace Academy's (the "Academy") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2025. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Academy's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CBIZ CPAs P.C.

CBIZ CPAs P.C.
Rochester, MI

January 31, 2025

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2024	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2025	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:										
National School Lunch Program:										
Noncash Assistance (Commodities) -										
National School Lunch Program Commodities 2024-2025	N/A	10.555	\$ 373,066	\$ -	\$ -	\$ -	\$ 373,066	\$ 373,066	\$ -	\$ -
National School Lunch Program Bonus Commodities 2024-2025	N/A	10.555	751	-	-	-	751	751	-	-
Total National School Lunch Program Commodities (Noncash Assistance)		10.555	373,817	-	-	-	373,817	373,817	-	-
Cash Assistance -										
National School Lunch Program 2023-2024	231960/24196	10.555	5,547,651	2,894,725	462,775	-	2,690,807	2,652,926	424,894	-
Total National School Lunch Program Cash and Noncash Assistance		10.555	5,921,468	2,894,725	462,775	-	3,064,624	3,026,743	424,894	-
National School Breakfast Program:										
National School Breakfast Program 2024-2025	241970/25197	10.553	2,377,691	1,257,271	202,986	-	1,140,666	1,120,420	182,740	-
School Breakfast Expansion Program:										
Summer Food Service Program Operating 2024-2025	240900/ 250900	10.559	148,343	9,900	9,900	-	26,730	138,443	121,613	-
Fresh Fruit and Vegetable Program:										
Fresh Fruit and Vegetable Program 2024-1	240950	10.582	20,220	14,293	2,833	-	8,760	5,927	-	-
Fresh Fruit and Vegetable Program 2025	250950	10.582	16,300	-	-	-	7,005	7,005	-	-
Total Fresh Fruit and Vegetable Program			36,520	14,293	2,833	-	15,765	12,932	-	-
Total Child Nutrition Cluster			8,484,022	4,176,189	678,494	-	4,247,785	4,298,538	729,247	-
Special Education Cluster - U.S. Department of Education - Passed through the Oakland County ISD:										
IDEA Special Education – Formula Grants to ISDs:										
IDEA Flowthrough 2425	250450	84.027A	33,197	-	-	-	33,197	33,197	-	-

See accompanying notes to schedule of expenditures of federal awards

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED JUNE 30, 2025

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2024	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2025	Current Year Cash Transferred To Subrecipient
Other Federal Awards:										
U.S. Department of Agriculture -										
Passed through the Michigan Department of Education:										
Food Equipment Assistance Grant:										
Food Equipment Assistance Grant	231991	10.579	17,000	-	-	-	16,234	16,234	-	-
Child and Adult Care Food Program (CACFP):										
CACFP Meals 2023-2024	241920	10.558	13,474	3,936	16,235	-	25,773	9,538	-	-
CACFP - Cash in Lieu 2023-2024	242010	10.558	921	274	966	-	1,613	647	-	-
CACFP Meals 2024-2025	251920	10.558	202,915	-	-	-	167,382	202,915	35,533	-
CACFP - Cash in Lieu 2024-2025	252010	10.558	12,673	-	-	-	10,267	12,673	2,406	-
Total Child and Adult Care Food Program		10.558	229,983	4,210	17,201	-	205,035	225,773	37,939	-
Total U.S. Department of Agriculture			246,983	4,210	17,201	-	221,269	242,007	37,939	-
U.S. Department of Education -										
Passed through the Michigan Department of Education:										
Title I, Part A: Improving Basic Programs Operated by LEAS:										
Title I Part A 2324	231530	84.010A	344,722	337,527	71,567	-	71,567	-	-	-
Title I Part A 2425	241530	84.010A	336,638	-	-	-	156,761	284,271	127,510	-
Title I Part A Subtotal		84.010A	681,360	337,527	71,567	-	228,328	284,271	127,510	-
Passed through the Oakland County ISD:										
Title I, Part A: Regional Assistance Grant (RAG):										
Title I Part A RAG 2324	241570	84.010A	82,201	82,201	36,934	-	36,934	-	-	-
Title I Part A RAG 2425	251570	84.010A	191,855	-	-	-	191,855	191,855	-	-
Title I Part A: Regional Assistance Grant Subtotal		84.010A	274,056	82,201	36,934	-	228,789	191,855	-	-
Passed through the Calhoun ISD:										
Title I, Part A: Technical Assistance Grant (TAG):										
Title I Part A TAG 2223	231580	84.010A	20,000	-	3,000	(3,000)	-	-	-	-
Total Title I Part A		84.010A	975,416	419,728	111,501	(3,000)	457,117	476,126	127,510	-

See accompanying notes to schedule of expenditures of federal awards

KEYS GRACE ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED JUNE 30, 2025

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2024	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2025	Current Year Cash Transferred To Subrecipient
Other Federal Awards (Continued):										
U.S. Department of Education -										
Passed through the Michigan Department of Education:										
Title III, Part A: English Language Acquisition:										
Title III Part A 2324	240570	84.365	25,875	25,875	6,369	-	6,369	-	-	-
Title III Part A 2324	240580	84.365	65,079	50,539	12,356	-	12,356	-	-	-
Title III Part A 2425	250570	84.365	22,825	-	-	-	4,361	14,687	10,326	-
Title III Part A 2425	250580	84.365	58,450	-	-	-	27,629	48,481	20,852	-
Total Title III Part A		84.365	172,229	76,414	18,725	-	50,715	63,168	31,178	-
Title II, Part A: Supporting Effective Instruction:										
Title II Part A 2223	230750	84.367	62,443	-	-	(1,900)	(1,900)	-	-	-
Title II Part A 2324	240750	84.367	38,182	38,182	8,400	-	8,400	-	-	-
Title II Part A 2425	250750	84.367	34,234	-	-	-	33,451	34,051	600	-
Total Title II Part A		84.367	134,859	38,182	8,400	(1,900)	39,951	34,051	600	-
Title IV, Part A: Student Support and Academic Enrichment:										
Title IV Part A 2223	230750	84.424A	22,372	-	-	(1,365)	(1,365)	-	-	-
Title IV Part A 2324	240750	84.424A	23,285	9,739	1,289	-	1,289	-	-	-
Title IV Part A 2425	250750	84.424A	35,350	-	-	-	16,615	34,200	17,585	-
Total Title IV Part A		84.424A	81,007	9,739	1,289	(1,365)	16,539	34,200	17,585	-
Education Stabilization Fund:										
COVID-19 - ESSER III Formula – American Rescue Plan (ARP-ESSER) 2122	213713	84.425U	2,159,952	686,626	686,626	-	686,626	-	-	-
Total U.S. Department of Education			<u>3,523,463</u>	<u>1,230,689</u>	<u>826,541</u>	<u>(6,265)</u>	<u>1,250,948</u>	<u>607,545</u>	<u>176,873</u>	<u>-</u>
Total Federal Awards			<u>\$ 12,287,665</u>	<u>\$ 5,411,088</u>	<u>\$ 1,522,236</u>	<u>\$ (6,265)</u>	<u>\$ 5,753,199</u>	<u>\$ 5,181,287</u>	<u>\$ 944,059</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards

KEYS GRACE ACADEMY

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2025

Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements
(includes all funds):

General Fund	\$ 637,507
Special Revenue Fund - Food Service	<u>4,540,544</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 5,178,051</u>

Receivables

Receivables from federal sources - As reported on financial statements	\$ 1,411,041
Timing difference between Michigan Department of Education Payment and Academy receipt per the Grant Auditor Report	<u>466,982</u>
Federal receivables per the schedule of expenditures of federal awards	<u>\$ 944,059</u>

KEYS GRACE ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of KEYS Grace Academy under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of KEYS Grace Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of KEYS Grace Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

KEYS Grace Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

NOTE 5 - GRANT AUDITOR REPORT

Management has utilized the Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 6 - ADJUSTMENTS

The \$6,265 in adjustments consisted of a takeback of federal funds in the current year for the Title II and Title IV programs in the amounts of \$1,365 and \$1,900 respectively. The remaining amount of \$3,000 was to remove a receivable that was not received from the grantor.



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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors and Management of
KEYS Grace Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the governmental activities and each major fund of KEYS Grace 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 November 21, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

CBIZ CPAs P.C.

CBIZ CPAs P.C.
Rochester, MI

November 21, 2025

KEYS GRACE ACADEMY

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

SECTION I - SUMMARY OF THE AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

☐ yes ☒ no

Identification of major programs:

Assistance Listing Number(s)
10.553, 10.555, 10.559, 10.582

Name of Federal Program or Cluster
Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b):

\$750,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported



CBIZ CPAs P.C.

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Rochester, MI 48307

P: 248.659.5300

November 21, 2025

CONFIDENTIAL

The Board of Directors and Management
KEYS Grace Academy
27321 Hampden Street
Madison Heights, MI 48071

To the Board of Directors and Management of
KEYS Grace Academy

We have audited the financial statements of the governmental activities and each major fund of KEYS Grace 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, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letters to you dated April 1, 2025 and November 8, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by KEYS Grace Academy are described in Note 1 to the financial statements. Except for the implementation of GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*, no new accounting policies were adopted, and the application of existing policies was not changed during 2025. We noted no transactions entered into by KEYS Grace 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.

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. There were no sensitive estimates affecting the Academy's financial statements.

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

Independence

During the year ended June 30, 2025, we were engaged to provide bookkeeping services mainly related to any accounting records or financial statements, including financial statement preparation and footnote edits and modified accrual to full accrual conversion. We reviewed the nature of the requested work, our role and management's role and determined that our independence would not be impaired, in fact or appearance.

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 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 such misstatements.

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 auditors' 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 November 21, 2025.

Significant Unusual Transactions

For purposes of this letter, professional standards define *significant unusual transactions* as transactions that are outside the normal course of business for the Company or that otherwise appear to be unusual due to their timing, size or nature. We did not identify any significant unusual transactions during our audit.

Related Party Relationships and Transactions

As part of our audit, we evaluated the Academy's identification of, accounting for, and disclosures of the Academy's relationships and transactions with related parties as required by professional standards. We did not identify any related parties or related party relationships or transactions that were previously undisclosed to us; significant related party transactions that have not been approved in accordance with the Academy's policies or procedures or for which exceptions to the Academy's policies or procedures were granted; or significant related party transactions that appeared to lack a business purpose.

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 KEYS Grace Academy’s financial statements or a determination of the type of auditors’ 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 KEYS Grace 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 and analysis, budgetary comparison schedules and schedule of expenditures of federal awards, 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.

We were engaged to report on the schedules of revenues and expenditures, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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 information and use of the Board of Directors and management of KEYS Grace Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

CBIZ CPAs P.C.

CBIZ CPAs P.C.
Rochester, MI