Audited Financial Statements

KEYS Grace Academy

Madison Heights, Michigan

June 30, 2026

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Independent Auditor's Report

To Management
and the Board of Directors of
Keys Grace Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining information of Keys Grace Academy (the 'Academy'), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Keys Grace Academy as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles 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). 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 meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgement 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 controls 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 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Government Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an

opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keys Grace Academy's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information as identified in the table of contents, 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 October 23, 2026, on our consideration of Keys Grace 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 to describe the scope of our testing of 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 Keys Grace Academy's internal control over financial reporting and compliance.

Wilkerson & Associate PC

Dearborn, Michigan
October 23, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of KEYS Grace Academy's ("Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ending June 30, 2026. The intent of this Management Discussion and Analysis (MDA) is to provide in general terms, a look at the Academy's current year performance as well as their past and current position. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the Academy's financial performance.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – Management Discussion and Analysis (MD&A) – for the State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplemental information, and other supplemental information. 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 and other supplemental information that further explains and supports the financial statements which includes a comparison of the Academy's budget for the year.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are full accrual basis statements and provide information about the Academy's overall financial status. They are used to help determine whether or not the Academy is financially better or worse as a result of the year's activities. The Statement of Net Position reports all of the Academy's assets and liabilities, both short and long term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the Academy are reported in this statement. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the Academy's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the Academy's overall health, you need to consider additional non-financial factors such as the quality of the education provided and the condition of the Academy's facilities.

In the government-wide statements, the Academy's activities are classified as governmental activities. This includes all of the Academy's basic services, such as regular and special education, operations and maintenance, and administration. State aid and federal grants finance these services.

FUND FINANCIAL STATEMENTS

The fund financial statements focus on individual parts of the Academy, reporting the Academy's operations in more detail than the government-wide statements. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental activities – The Academy'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.

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

RELATIONSHIP BETWEEN THE GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Because the two sets of statements use different measurement focuses and bases of accounting, the amounts they report for the same activities differ. The principal differences relate to capital assets and the related depreciation and amortization, long-term obligations, and revenues that are earned but not available within the Academy's period of availability. Reconciliations that explain these differences are presented immediately following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance.

NOTES AND REQUIRED SUPPLEMENTARY INFORMATION

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Required supplementary information follows the notes and includes the budgetary comparison schedule for the General Fund and Special Revenue Fund, together with the notes to that schedule explaining significant variations between the original and final budget and between the final budget and actual results.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The following condensed financial information is drawn from the government-wide financial statements and compares the current year with the prior year. The analysis of the reasons for these changes appears in the Detailed Analysis section that follows.

Condensed Statement of Net Position – Governmental Activities

KEYS' Net Position

	2026	2025	$ Change	% Change
Current and other assets	$ 5,035,253	$ 4,877,543	$ 157,710	3.2%
Capital assets, net	1,908,999	2,175,622	(266,623)	-12.3%
Total assets	6,944,252	7,053,165	(108,913)	-1.5%
Current and other liabilities	2,651,084	2,537,607	113,477	4.5%
Long-term liabilities	1,129,467	1,392,415	(262,948)	-18.9%
Total liabilities	3,780,551	3,930,022	(149,471)	-3.8%
Net position:				
Net investment in capital assets	516,584	524,913	(8,329)	-1.6%
Restricted	1,863,956	1,831,696	32,260	1.8%
Unrestricted	783,161	766,534	16,627	2.2%
Total net position	$ 3,163,701	$ 3,123,143	$ 40,558	1.3%

Condensed Statement of Activities – Governmental Activities

Changes in KEYS' Net Position

	2026	2025	$ Change	% Change
Revenues:				
Program revenues:				
Charges for services	$ 455,883	$ 4,673	$ 451,210	9655.7%
Federal and State operating grants	8,934,344	6,197,425	2,736,919	44.2%
General Revenues:				
State aid-unrestricted	5,641,320	7,524,065	(1,882,745)	-25.0%
Miscellaneous	81,931	174,726	(92,795)	-53.1%
Total revenues	15,113,478	13,900,889	1,212,589	8.7%
Expenses:				
Instruction	3,776,580	3,628,825	147,755	4.1%
Support services	10,911,755	9,605,633	1,306,122	13.6%
Unallocated depreciation / amortization	338,607	313,942	24,665	7.9%
Unallocated interest	45,978	53,629	(7,651)	-14.3%
Total expenses	15,072,920	13,602,029	1,470,891	10.8%
Change in net position	$ 40,558	$ 298,860	$ (258,302)	-86.4%

DETAILED ANALYSES

Analysis of the government's financial position

A portion of the Academy's net position reflect investments in capital assets (buildings and improvements, equipment and furniture, and right-to-use assets), less any related outstanding debt used to acquire those assets. The Academy uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources. The $1,863,956 in restricted net position is held for the food service program and these funds must be specifically used for food service activities. The $783,161 in unrestricted net position of governmental activities represents the Academy's funds that have not been committed contractually or for debt obligations and food service and are available for future use.

Analysis of the government's results of operations

The Statement of Activities presented later in the government-wide financial statements provides greater detail on the Academy's annual activity. The cost of the Academy's governmental activities for the year was $15,072,920. These activities are paid for with state pupil foundation aid, grants, charges for services, contributions and other miscellaneous revenues.

A significant portion of the Academy's governmental revenues are derived from Federal and State sources that are targeted for specific programs and services; the largest of these programs is the Food Service Program.

Analysis of major fund balances and results of operations

As the Academy completed the year, the General Fund reported a total fund balance of $740,687, $5,200 of which was nonspendable. Total current year expenditures in the General Fund were $9,805,255. Unrestricted fund balance in the General Fund at year end was approximately 8% of ongoing expenditures. The Special Revenue Fund reported a total fund balance of $1,900,760, $36,804 of which was nonspendable. The balance is reported as restricted as it can only be used for Food Service activities and was approximately 35% of ongoing expenditures.

General Fund Budgetary Analysis

The Academy's General Fund and Special Revenue Fund budget are prepared according to the Uniform Budget Act of the State of Michigan and is initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments and resultant staffing requirements become known. During the fiscal year ended June 30, 2026, the Academy amended the budgets twice.

General Fund

The general fund had revenues and other financing sources of $9,807,145 and total expenditures and other financing uses were $9,805,255. The general fund balance was $740,687 at June 30, 2026.

Actual revenue and other financing sources for the general fund were $9,807,145. This is more than the original budget estimate of $9,022,847 and less than the final amended budgeted amount of $10,216,841.

The actual expenditures and other financing uses for the general fund were $9,805,255. This is more than the original budget estimate of $9,015,387 and less than the final budgeted amount of $10,213,562.

KEYS GRACE ACADEMY

STATEMENT OF NET POSITION
JUNE 30, 2026

ASSETS

Current Assets		
Cash and cash equivalents	$	2,704,952
Accounts receivable		215,175
Inventory		36,804
Due from other governmental units		2,073,122
Prepaid expenses		5,200
Total current assets		5,035,253
Capital Assets - Net of Accumulated Depreciation / Amortization		1,908,999
Total assets	$	6,944,252

LIABILITIES AND NET POSITION

Current Liabilities		
Accounts payable	$	590,341
Unearned revenue		1,120,672
Other accrued liabilities		677,123
Long-term debt - current portion		262,948
Total current liabilities		2,651,084
Long-Term Debt - Long-Term Portion		1,129,467
Net Position		
Net investment in capital assets		516,584
Restricted for food services		1,863,956
Unrestricted		783,161
Total net position		3,163,701
Total liabilities and net position	$	6,944,252

See accompanying notes to financial statements

KEYS GRACE ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenues and Changes in Net Position: Government Type Activities
Functions				
Instruction				
Basic programs	$ 2,274,471	$ -	$ 651,639	$ (1,622,832)
Added needs	1,502,109	-	1,502,109	-
Support services				
Pupil support services	210,464	-	192,374	(18,090)
Instructional staff support services	506,174	-	401,293	(104,881)
General administration	1,437,734	-	614	(1,437,120)
School administration	171,346	-	4,981	(166,365)
Business support services	80,651	-	28,702	(51,949)
Operations and maintenance	778,731	-	179,762	(598,969)
Pupil transportation services	2,262,160	-	944,781	(1,317,379)
Central support services	94,171	-	76	(94,095)
Food services	5,237,091	455,883	4,894,780	113,572
Community services	133,233	-	133,233	-
Unallocated depreciation / amortization	338,607	-	-	(338,607)
Unallocated interest	45,978	-	-	(45,978)
Total primary government	$ 15,072,920	$ 455,883	$ 8,934,344	(5,682,693)
General Purpose Revenues				
State school aid - unrestricted				5,641,320
Miscellaneous revenues				81,931
Total general purpose revenues				5,723,251
Change in net position				40,558
Net position - July 1, 2025				3,123,143
Net position - June 30, 2026				$ 3,163,701

See accompanying notes to financial statements

KEYS GRACE ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS
JUNE 30, 2026

ASSETS

	General	Special Revenue - Food Service	Total
Cash and cash equivalents	$ 2,461,562	$ 243,390	$ 2,704,952
Accounts receivable	215,175	-	215,175
Inventory	-	36,804	36,804
Due from other governmental units	1,749,995	323,127	2,073,122
Due from other funds	-	1,297,439	1,297,439
Prepaid expenses	5,200	-	5,200
Total assets	$ 4,431,932	$ 1,900,760	$ 6,332,692

LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE

Liabilities			
Accounts payable	$ 590,341	$ -	$ 590,341
Due to other funds	1,297,439	-	1,297,439
Unearned revenue	1,120,672	-	1,120,672
Other accrued liabilities	677,123	-	677,123
Total liabilities	3,685,575	-	3,685,575
Deferred Inflows of Resources - Unavailable Revenue	5,670	-	5,670
Fund Balance			
Nonspendable	5,200	36,804	42,004
Restricted	-	1,863,956	1,863,956
Unassigned	735,487	-	735,487
Total fund balance	740,687	1,900,760	2,641,447
Total liabilities, deferred inflows and fund balance	$ 4,431,932	$ 1,900,760	$ 6,332,692

See accompanying notes to financial statements

KEYS GRACE ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2026

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

Total Governmental Fund Balances	$	2,641,447
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $3,429,532 and the accumulated depreciation / amortization is $1,520,533.		1,908,999
Deferred inflows on resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position.		5,670
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(1,392,415)
Net Position of Governmental Activities	$	3,163,701

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, 2026

	General	Special Revenue - Food Service	Total
Revenues			
Local sources	$ 81,931	$ 455,883	$ 537,814
State sources	8,773,665	46,362	8,820,027
Federal sources	690,908	4,848,418	5,539,326
Total governmental fund revenues	9,757,145	5,350,663	15,107,808
Expenditures			
Instruction			
Basic programs	2,274,471	-	2,274,471
Added needs	1,502,109	-	1,502,109
Support services			
Pupil support services	210,464	-	210,464
Instructional staff support services	506,174	-	506,174
General administration	1,437,734	-	1,437,734
School administration	171,346	-	171,346
Business support services	80,651	-	80,651
Operations and maintenance	778,731	-	778,731
Pupil transportation services	2,262,160	-	2,262,160
Central support services	94,171	-	94,171
Food services	-	5,237,091	5,237,091
Community services	133,233	-	133,233
Capital outlay	49,739	22,245	71,984
Debt principal and interest	304,272	-	304,272
Total governmental fund expenditures	9,805,255	5,259,336	15,064,591
Excess of revenues over expenditures	(48,110)	91,327	43,217
Other Financing Sources (Uses)			
Operating transfers in	50,000	-	50,000
Operating transfers out	-	(50,000)	(50,000)
Total other financing sources (uses)	50,000	(50,000)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	1,890	41,327	43,217
Fund balance - July 1, 2025	738,797	1,859,433	2,598,230
Fund balance - June 30, 2026	$ 740,687	$ 1,900,760	$ 2,641,447

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, 2026

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

Net Change in Fund Balances - Total Governmental Funds		$ 43,217
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	$ 71,984	
Depreciation and amortization expense	(338,607)	(266,623)
Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days		5,670
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		258,294
Change in Net Position of Governmental Activities		$ 40,558

See accompanying notes to financial statements

KEYS GRACE ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

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 into 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, 2026 were approximately $218,900.

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 $1,046,000 for the year ended June 30, 2026.

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.

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 this 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Government-Wide Financial Statements

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

investment until maturity. The Academy held no investments during the year ended June 30, 2026. 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 receivables and due from other governmental units at June 30, 2026 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 2026 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, 2026, 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 progress, 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

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 of 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 significant 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 Equity

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

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.

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.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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.

Upcoming Accounting Pronouncements

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026-2027 fiscal year.

NOTE 2 - 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.

NOTE 2 - DEPOSITS AND INVESTMENTS – Continued

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2026, 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, 2026, the Academy did not hold any investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2026, approximately $2,455,735 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2026.

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, 2026, 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.

NOTE 2 - DEPOSITS AND INVESTMENTS – Continued

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

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.

b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

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

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	$	160,354
State sources		1,492,333
Federal sources		420,435
Total	$	2,073,122

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2025	Additions	Disposals	Balance June 30, 2026
Capital assets subject to depreciation / amortization				
Right to use - assets	$ 2,647,992	$ -	$ 65,949	$ 2,582,043
Building improvements	540,859	-	-	540,859
Equipment	234,646	71,984	-	306,630
Total asset cost basis	3,423,497	71,984	65,949	3,429,532
Accumulated depreciation / amortization				
Right to use - assets	1,081,962	264,150	65,949	1,280,163
Building improvements	56,944	16,158	-	73,102
Equipment	108,969	58,299	-	167,268
Sub-total	1,247,875	338,607	65,949	1,520,533
Total net capital assets	$ 2,175,622	$ (266,623)	$ -	$ 1,908,999

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.

NOTE 5 – OTHER ACCRUED LIABILITIES

Other accrued liabilities may be summarized as follows:

Purchased services - payroll and benefits	$ 638,576
Oversight fee	38,547
Total other accrued liabilities	$ 677,123

NOTE 6 – LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2026:

Loan Information

	Interest Rate	Maturity Date	Other
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

	Balance July 1, 2025	Additions	Retirements and Payments	Balance June 30, 2026	Due Within One Year
Direct Borrowing - facilities	$ 1,645,422	$ -	$ 254,113	$ 1,391,309	$ 261,842
Direct borrowing - copiers	5,287	-	4,181	1,106	1,106
Total long term debt	$ 1,650,709	$ -	$ 258,294	$ 1,392,415	$ 262,948

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

	Principal	Interest
2027	$ 262,948	$ 38,168
2028	269,806	30,194
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, 2026 amounted to $159,800.

NOTE 7 – INTERFUND TRANSFERS

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

	General	Special Revenue - Food Service
Transfer In	$ 50,000	$ -
Transfer Out	-	50,000

NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2026, the Academy implemented the following GASB Statements:

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

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

b. Unusual or infrequent items;

c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
   i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
   ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;

NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLE - Continued

d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;

e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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. This Statement also requires additional disclosures for capital assets held for sale.

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.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 23, 2026, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

KEYS GRACE ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

	Budget		Variance with Original and Final Budget	Actual	Variance with Final Budget and Actual
	Original	Final			
Revenues					
Local sources	$ 35,000	$ -	$ (35,000)	$ 81,931	$ 81,931
State sources	8,222,246	9,208,787	986,541	8,773,665	(435,122)
Federal sources	527,499	619,121	91,622	690,908	71,787
Interdistrict sources	238,102	338,933	100,831	210,641	(128,292)
Total general fund revenues	9,022,847	10,166,841	1,143,994	9,757,145	(409,696)
Expenditures					
Instruction					
Basic programs	2,393,504	2,637,007	243,503	2,274,471	(362,536)
Added needs	1,446,442	2,079,673	633,231	1,502,109	(577,564)
Support services					
Pupil support services	259,000	226,432	(32,568)	210,464	(15,968)
Instructional staff support services	496,291	339,410	(156,881)	506,174	166,764
General administration	1,333,100	1,209,414	(123,686)	1,437,734	228,320
School administration	183,681	201,625	17,944	171,346	(30,279)
Business support services	74,212	75,000	788	80,651	5,651
Operations and maintenance	864,245	732,889	(131,356)	778,731	45,842
Pupil transportation services	1,700,000	2,041,133	341,133	2,262,160	221,027
Central support services	123,450	160,071	36,621	94,171	(65,900)
Community services	91,723	155,877	64,154	133,233	(22,644)
Capital outlay	49,739	49,739	-	49,739	-
Debt principal and interest	-	305,292	305,292	304,272	(1,020)
Total general fund expenditures	9,015,387	10,213,562	1,198,175	9,805,255	(408,307)
Excess (deficiency) of revenues over expenditures	7,460	(46,721)	(54,181)	(48,110)	(1,389)
Other Financing Sources (Uses)					
Operating transfers in	-	50,000	50,000	50,000	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	7,460	3,279	(4,181)	1,890	(1,389)
Fund balance - July 1, 2025	738,797	738,797	-	738,797	-
Fund balance - June 30, 2026	$ 746,257	$ 742,076	$ (4,181)	$ 740,687	$ (1,389)

KEYS GRACE ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND – FOOD SERVICE
FOR THE YEAR ENDED JUNE 30, 2026

	Budget		Variance with Original and Final Budget	Actual	Variance with Final Budget and Actual
	Orignal	Final			
Revenues					
Local sources	$ 10,000	$ -	$ (10,000)	$ 455,883	$ 455,883
State sources	15,000	5,360	(9,640)	46,362	41,002
Federal sources	4,370,000	5,040,544	670,544	4,848,418	(192,126)
Total general fund revenues	4,395,000	5,045,904	650,904	5,350,663	304,759
Expenditures					
Food services	4,472,200	5,357,695	885,495	5,237,091	(120,604)
Capital outlay	-	-	-	22,245	22,245
Total general fund expenditures	4,472,200	5,357,695	885,495	5,259,336	(98,359)
Excess (deficiency) of revenues over expenditures	(77,200)	(311,791)	(234,591)	91,327	403,118
Other Financing Sources (Uses)					
Operating transfers out	-	(50,000)	(50,000)	(50,000)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(77,200)	(361,791)	(284,591)	41,327	403,118
Fund balance - July 1, 2025	1,859,433	1,859,433	-	1,859,433	-
Fund balance - June 30, 2026	$ 1,782,233	$ 1,497,642	$ (284,591)	$ 1,900,760	$ 403,118

KEYS GRACE ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2026

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2026 the budget was amended in a legally permissible manner. A comparison of amounts appropriated against actual results for the year ended June 30, 2026 can be found on pages 20 and 21 of these financial statements.

NOTE 2 – BUDGETARY COMPARISON – GENERAL FUND

Significant variances between original and final budget:

	Variance	Explanation
Revenues		
Local sources	$ (35,000)	Local revenue projections were eliminated during the budget amendment process based on updated anticipated collections.
State sources	986,541	State revenue projections were increased to reflect updated state aid estimates and anticipated categorical funding.
Federal sources	91,622	Federal revenue projections were increased to reflect updated grant funding and anticipated program reimbursements.
Interdistrict sources	100,831	Budget increased to reflect revised interdistrict revenue projections.
Expenditures		
Basic programs	243,503	Budget increased to reflect updated instructional program costs and anticipated staffing requirements.

NOTE 2 – BUDGETARY COMPARISON – GENERAL FUND - Continued

	Variance	Explanation
Added needs	633,231	Budget increased to reflect anticipated expenditures for special education and supplemental instructional programming.
Pupil support services	(32,568)	Budget reduced to reflect revised student support service expenditure projections.
Instructional staff support services	(156,881)	Budget reduced to reflect revised instructional support and professional development expenditure projections.
General administration	(123,686)	Budget reduced to align anticipated administrative expenditures with updated financial projections.
Operations and maintenance	(131,356)	Budget reduced to reflect updated facility operating and maintenance expenditure estimates.
Pupil transportation services	341,133	Budget increased to accommodate higher projected transportation expenditures.
Central support services	36,621	Budget increased to reflect revised centralized support and technology expenditures.
Community services	64,154	Budget increased to reflect updated community program expenditure projections.
Debt principal and interest	305,292	Budget amended to recognize debt service obligations not included in the original budget.
Other financing sources		
Operating transfers in	50,000	Budget amended to recognize an anticipated operating transfer supporting General Fund activities.

NOTE 2 – BUDGETARY COMPARISON – GENERAL FUND - Continued

Significant variances between final budget and actual:

	Variance	Explanation
Revenues		
Local sources	$ 81,931	Local revenue was received during the fiscal year despite no amounts being included in the final amended budget.
State sources	(435,122)	Actual state revenue was approximately 4.7% below final budget projections, reflecting lower-than-anticipated categorical funding recognition.
Federal sources	71,787	Federal revenue exceeded the final budget by approximately 11.6%, reflecting additional federal grant revenue recognized during the fiscal year.
Interdistrict sources	(128,292)	Interdistrict revenue was approximately 37.9% below projections, reflecting lower-than-budgeted funding and reimbursements.
Expenditures		
Basic programs	(362,536)	Instructional expenditures were approximately 13.7% below the amended budget, reflecting lower-than-projected costs within basic instructional programs.
Added needs	(577,564)	Added needs expenditures were approximately 27.8% below the amended budget, reflecting lower-than-anticipated expenditures for supplemental instructional programming.
Instructional staff support services	166,764	Instructional staff support expenditures exceeded budget by approximately 49.1%, indicating that actual instructional support costs were higher than anticipated in the amended budget.
General administration	228,320	General administrative expenditures exceeded budget by approximately 18.9%, reflecting higher-than-projected administrative and related service costs.

NOTE 2 – BUDGETARY COMPARISON – GENERAL FUND - Continued

	Variance	Explanation
School administration	(30,279)	School administrative expenditures were approximately 15.0% below budget, reflecting lower-than-projected school-level administrative costs.
Operations and maintenance	45,842	Facility operations and maintenance expenditures exceeded budget by approximately 6.3%, reflecting higher-than-projected facility-related operating costs.
Pupil transportation services	221,027	Transportation expenditures exceeded budget by approximately 10.8%, reflecting higher actual transportation costs than anticipated in the amended budget.
Central support services	(65,900)	Central support expenditures were approximately 41.2% below budget, reflecting lower-than-projected centralized support costs.
Community services	(22,644)	Community services expenditures were approximately 14.5% below budget, reflecting lower-than-anticipated program expenditures.

NOTE 3 – BUDGETARY COMPARISON – SPECIAL REVENUE FUND

Significant variances between original and final budget:

	Variance	Explanation
Revenues		
Federal sources	$ 670,544	Original budget was adopted before the fiscal year began and adjusted based on actual grant funds available.

NOTE 3 – BUDGETARY COMPARISON – SPECIAL REVENUE FUND - Continued

	Variance	Explanation
Expenditures		
Food services	885,495	Expenditures updated based on information available throughout the year and additional food service sites added to the program.
Other financing sources		
Operating transfers in	(50,000)	Transfer determined by indirect cost allocation provided during the year.
Significant variances between final budget and actual:		
Revenues		
Local sources	455,883	Deposits from gleaners and grand rapids public schools fund balance transfers.
State sources	41,002	State source revenues increased from prior year.
Federal sources	(192,126)	Revenues decreased based on timing of summer school program start.
Expenditures		
Food services	(120,604)	Conservative budgeted accrual estimates came in lower than expected.
Capital outlay	22,245	Equipment purchased at end of year.

SUPPLEMENTARY INFORMATION

KEYS GRACE ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

Local Sources		
Other local revenues	$	81,931
State Sources		
At risk		1,152,771
Special education		63,787
State aid		7,557,107
Total state sources		8,773,665
Federal Sources		
IDEA		33,870
Title I		507,632
Title II A		37,430
Title III		90,880
Title IV		21,096
Total federal sources		690,908
Interdistrict Sources		210,641
Total general fund revenues	$	9,757,145

KEYS GRACE ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

Basic Programs		
Purchased services	$	2,024,058
Supplies and materials		243,775
Other expenditures		6,638
Total basic programs		2,274,471
Added Needs		
Purchased services		1,481,881
Supplies and materials		19,938
Other expenditures		290
Total added needs		1,502,109
Pupil Support Services		
Truancy services		62,518
Health services		73,146
Social work services		74,800
Total pupil support services		210,464
Instructional Staff Support Services		
Purchased services		498,378
Supplies and materials		7,796
Total instructional staff support services		506,174
General Administration		
Purchased services		1,351,805
Rentals		51,267
Supplies and materials		16,075
Other expenditures		18,587
Total general administration		1,437,734

KEYS GRACE ACADEMY

SCHEDULE OF EXPENDITURES - GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2026

School Administration	
Purchased services	161,525
Supplies and materials	2,532
Other expenditures	7,289
Total school administration	171,346
Business Support Services	
Purchased services	79,725
Other expenditures	926
Total business support services	80,651
Operations and Maintenance	
Purchased services	769,499
Repairs and maintenance	9,232
Total operations and maintenance	778,731
Pupil Transportation Services	
Purchased services	2,262,160
Central Support Services	
Purchased services	85,503
Repairs and maintenance	8,668
Total central support services	94,171
Community Services	
Purchased services	132,233
Supplies and materials	1,000
Total community services	133,233
Capital Outlay	49,739
Debt Principal and Interest	304,272
Total general fund expenditures	$ 9,805,255

KEYS GRACE ACADEMY
REPORT TO THE BOARD

JUNE 30, 2026

Wilkerson & Associate P.C.
CERTIFIED PUBLIC ACCOUNTANTS

3 PARKLANE BLVD. SUITE 612
DEARBORN, MICHIGAN 48126
313-982-4340 FAX 313-982-4342

LARRY WILKERSON, C.P.A
THOMAS E. WILKERSON, C.P.A

To the Board of Directors of
Keys Grace Academy

We have recently completed our audit of the basic financial statements of Keys Grace Academy (the "Academy") as of and for the year ended June 30, 2026.In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

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Results of Audit	**2-5**
Recommendations	**6**
Informational Items	**6-7**

We are grateful for the opportunity to be of service to Keys Grace Academy. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Wilkerson & Associate PC

October 23, 2026

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
Keys Grace Academy
October 23, 2026

Results of the Audit

We have audited the financial statements of Keys Grace Academy (the "Academy") as of and for the year ended June 30, 2026, and have issued our report thereon dated October 23, 2026, Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 2, 2026, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 23, 2026, regarding 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.

We are also obligated to communicate certain matters related to our audit of those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during the preliminary audit phase.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements, a new accounting policy was adopted, GASB 103, and the application of existing policies were not changed during the year ended June 30, 2026

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 significant estimates included in this year's financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

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 trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

Disagreements with Management

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

Management Representations
We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management Consultants 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 consultant involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Directors
Keys Grace Academy
October 23, 2026

Other Audit Findings or Issues

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule, and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the 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.*

This information is intended solely for the 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,

Wilkerson & Associate PC

Larry D. Wilkerson, CPA

Recommendations

KEYS GRACE ACADEMY RECOMMENDATIONS

As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, no recommendations are made for this year.

Informational Items

KEYS GRACE ACADEMY

October 23, 2026

GASB Statement No. 105 – Subsequent Events, was issued to enhance the consistency and clarity of financial reporting regarding events after the financial statement date but before the financial statements are issued.

This statement is effective for the first time in the Academy's **June 30, 2027,** financial statements.

Key Highlights

Improved Consistency: The primary objective of the statement is to reduce variability in how governments evaluate and report subsequent events, ensuring a more uniform application of guidance.

Clarified Definitions: GASB 105 provides clearer definition regarding what constitutes a subsequent event, helping governments better distinguish between events that require adjustment to the financial statements and those that only require disclosure.

Defined Evaluation Period: The standard clarifies the time frame for evaluating subsequent events, explicitly addressing when the evaluation period ends in relation to the issuance of financial statements.

Enhance Disclosure Requirements: It defines the requirements for disclosing subsequent events to better meet the information needs of financial statement users, ensuring that significant events are appropriately communicated.

Effective Date

GASB Statement No. 105 is effective for years beginning after June 15, 2026, and all reporting periods thereafter.