DA VINCI SCHOOLS

Jackson County, Michigan

Annual Financial Report

For the year ended June 30, 2026

HUNGERFORD

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

September 18, 2026

The Board of Education
da Vinci Schools
Jackson, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Da Vinci Schools (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, the major fund, and the remaining aggregate fund information of the Academy, as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the 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 combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are 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 September 18, 2026, 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.

Hungerford

Certified Public Accountants
Grand Rapids, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Da Vinci Schools ("the Academy"), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2026. We encourage readers to consider the information presented here in conjunction with the Academy's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the Academy:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *academy-wide financial statements* that provide both short-term and long-term information about the Academy's overall financial status.

- The remaining statements are *governmental funds statements* that tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes a budgetary comparison schedule and pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

Academy-wide Statements

The academy-wide financial statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

- To assess the Academy's overall health, one should consider additional non-financial factors such as changes in the Academy's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

In the academy-wide financial statements, the Academy's activities are presented as follows:

- Governmental activities: The Academy's basic services are included here, such as regular and special education, instructional support, transportation, administration, business, operation and maintenance, and student/school activities. State aid finances most of these activities.

New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No. 103, *Financial Reporting Model Improvements*. The requirements of the statement enhance certain aspects of the existing financial reporting model, including management's discussion and analysis, unusual or infrequent items, and budgetary comparison information. The Academy implemented this statement for the fiscal year ended June 30, 2026.

Financial Summary

The Statement of Net Position provides financial information on the Academy as a whole.

	2026	2025	Dollar Change	Percent Change
Assets				
Current assets	$ 3,010,070	$ 2,917,861	$ 92,209	3.2%
Net capital assets	6,300,833	6,170,347	130,486	2.1%
Net OPEB asset	1,026,208	1,157,935	(131,727)	-11.4%
Total Assets	**10,337,111**	**10,246,143**	**90,968**	**0.9%**
Deferred Outflows of Resources	**2,074,808**	**2,867,906**	**(793,098)**	**-27.7%**
Liabilities				
Current liabilities	1,118,602	977,066	141,536	14.5%
Long-term liabilities	2,364,364	2,240,168	124,196	5.5%
Net pension liability	4,951,093	6,302,021	(1,350,928)	-21.4%
Total Liabilities	**8,434,059**	**9,519,255**	**(1,085,196)**	**-11.4%**
Deferred Inflows of Resources	**2,606,880**	**3,538,075**	**(931,195)**	**-26.3%**
Net Position				
Net investment in capital assets	3,922,169	3,912,471	9,698	0.2%
Resticted	27,228	19,738	7,490	37.9%
Unrestricted (deficit)	(2,578,417)	(3,875,490)	1,297,073	-33.5%
Total Net Position	**$ 1,370,980**	**$ 56,719**	**$ 1,314,261**	**2317.1%**

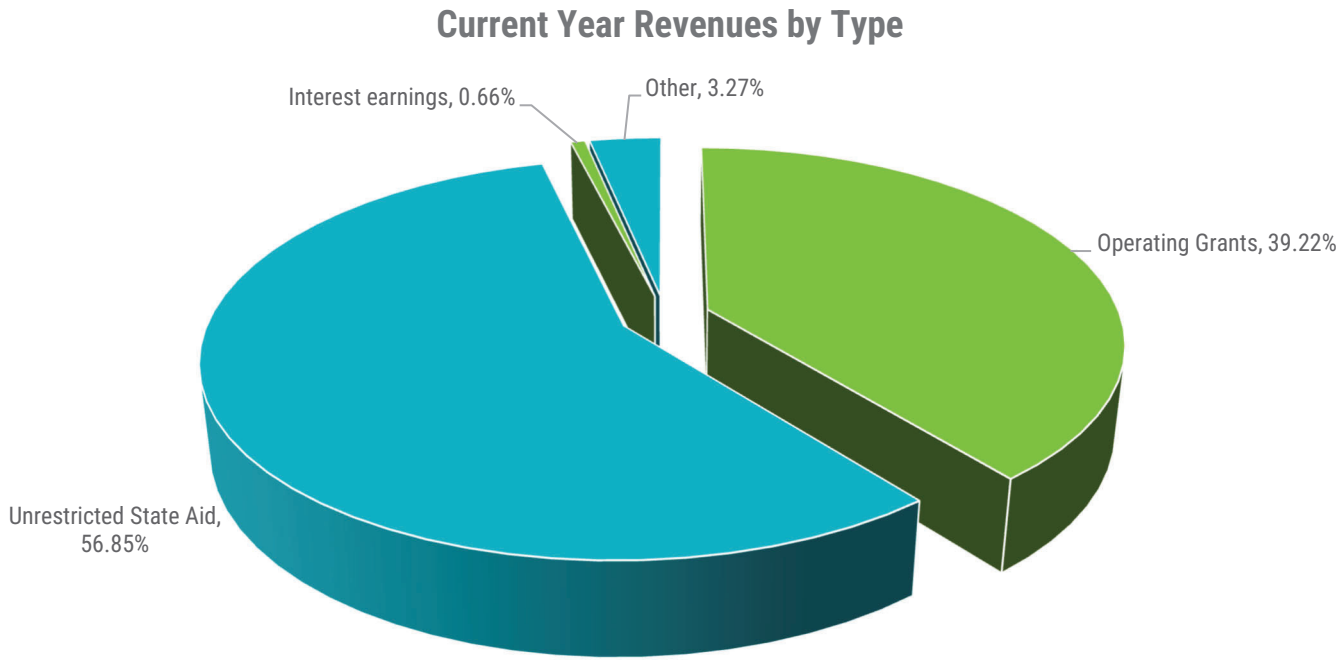
The Statement of Activities presents changes in net position from operating results:

	2026	2025	Dollar Change	Percent Change
Program Revenues				
Operating grants	$ 2,570,575	$ 2,936,939	$ (366,364)	-12.5%
General Revenues				
State school aid, unrestricted	3,726,339	4,080,325	(353,986)	-8.7%
Interest earnings	43,130	17,487	25,643	146.6%
Other	214,550	15,721	198,829	1264.7%
Total Revenues	6,554,594	7,050,472	(495,878)	-7.0%
Expenses				
Instruction	2,301,283	2,784,296	(483,013)	-17.3%
Supporting services	2,494,710	2,892,105	(397,395)	-13.7%
Community Services	8,062	29,393	(21,331)	-72.6%
Interest on long term debt	118,565	88,022	30,543	34.7%
Depreciation - unallocated	315,540	293,055	22,485	7.7%
Other	2,173	12,330	(10,157)	-82.4%
Total Expenses	5,240,333	6,099,201	(858,868)	-14.1%
Increase (decrease) in net position	1,314,261	951,271	362,990	38.2%
Net Position, Beginning of Year	56,719	(894,552)	951,271	-106.3%
Net Position, End of Year	$ 1,370,980	$ 56,719	$ 1,314,261	2317.1%

Financial Analysis – Academy Wide

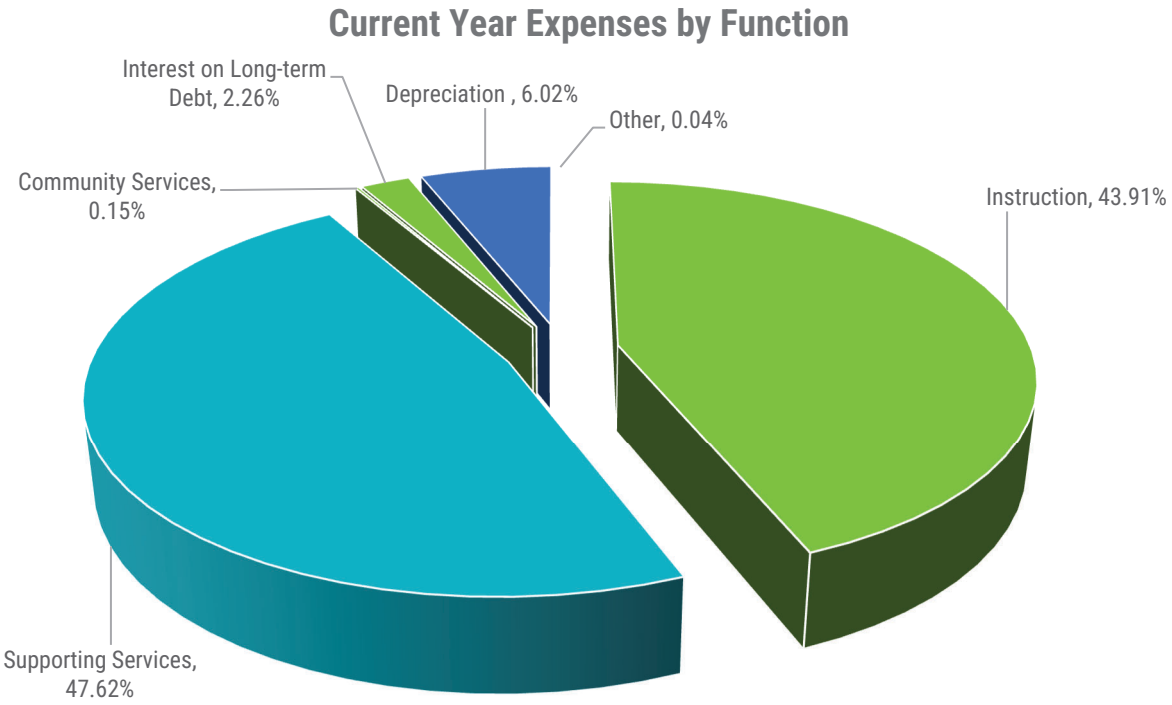
Total revenues exceeded total expenses by $1,314,261, increasing total net position from $56,719 at June 30, 2025 to $1,370,980 at June 30, 2026. Unrestricted net position increased by $1,297,073 to a deficit of $2,578,417. The Academy's net pension liability, including deferred outflows and inflows of resources, decreased by $1,058,708 during the fiscal year. In addition, the Academy's net OPEB asset, including deferred outflows and inflows of resources increased by $298,590 during the fiscal year.

The Academy's financial position is the product of various financial transactions including the net results of activities, the acquisition and payment of debt, and the acquisition and depreciation of capital assets. A large portion of the Academy's net position reflects investments in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment); less any related outstanding debt used to acquire those assets. The Academy uses these capital assets to provide services to its 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 this debt must provide from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



The Academy's total revenues decreased by 7% to $6.55 million for the year ended June 30, 2026. General revenues are primarily derived from unrestricted state school aid (56.9% of total) and are heavily influenced by economic conditions, legislative actions, and student enrollment trends. State school aid, which represents the Academy's largest source of unrestricted revenue, is dependent upon annual appropriations by the state and funding formulas that consider pupil membership and other factors established by state law. Changes in enrollment or state funding levels may have significant impact on the Academy's annual operating revenues. Unrestricted state school aid decreased by 8.7% during the year ended June 30, 2026, which resulted primarily from a decline in the Academy's blended pupil membership count for fiscal year 2026. Although the per-pupil foundation allowance for the year increased, the reduction in the number of pupils used to calculate the Academy's state aid entitlement more than offset that increase, resulting in lower unrestricted state school aid revenue.

The Academy also receives operating grants consisting of federal and state grant funding to support specific educational programs and other initiatives. Grant revenues are generally restricted for designated purposes and may vary from year-to-year based on the availability of funding, eligibility requirements, and the timing of program expenditures. As a result, changes in grant activity can contribute to fluctuations in total revenues reported by the Academy. Operating grant revenues decreased by 12.5% during the year ended June 30, 2026, which resulted primarily the expiration of federal Elementary and Secondary School Emergency Relief (ESSER) funding. As these funds were fully expended and no longer available, related federal grant revenue declined. In addition, federal policy and administrative changes during the year created uncertainty regarding federal education grant programs, programs subject to increased federal review of activities associated with diversity, equity, and inclusion. The Academy's federal grant revenue was therefore affected by the cessation of these awards.



The total cost of all programs and services decreased by 14.1% to $5.24 million for the year ended June 30, 2026. The Academy's expenses are predominantly related to instruction (43.9%) and supporting services (47.6%), which include various functions such as caring for (pupil services) and transporting students, administrative services, and operating and maintenance services.

Functional expenses (instruction, supporting services, community services) reported in the academy-wide financial statements include adjustments related to GASB Statement No. 34 that are not reflected in the governmental fund statements. These adjustments consist primarily of additions to capital assets and pension and OPEB-related expenses, which are allocated to the Academy's various functions. Accordingly, year-over-year changes in functional expenses may reflect both operational changes and fluctuations in these allocated accounting adjustments. In particular, changes in deferred inflows and outflows of resources and the Academy's proportionate share of net pension and OPEB liabilities may have a significant impact on reported net position and annual operating results reflected in the academy-wide financial statements.

The significant change in instruction and supporting services expenses reported between 2025 and 2026 is attributed to the adjustments for GASB Statement No. 34. However, changes in expenditure levels reported in the governmental fund financial statements, and more specifically the major fund of the Academy, contribute directly to changes reflected in the academy-wide statements. For consideration of the impact of year-over-year changes reported in the Academy's general fund, including those related to costs of instruction and supporting services, see commentary in the *Detailed Analysis – Major Funds* that follows.

Other expenses reported in the academy-wide financial statements remained relatively stable compared to the prior year. No significant changes in service levels or operating activities occurred during the year that materially impacted these functions.

Financial Analysis – General Fund

The fund financial statements provide more detailed information about the Academy's funds, focusing on its most significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The Academy utilizes one kind of fund:

- *Governmental funds*: Most 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 the reader 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, additional information following the governmental funds' statements explains the relationship (or differences) between them.

The Academy reports one major fund, the General Fund, individually in the governmental fund financial statements. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds. However, certain factors that are relevant to the Academy's current financial health are more apparent in the fund financial statements than in the academy-wide financial statements. The significant changes are shown in the table and discussed in more detail below.

	General Fund	
	2026	2025
Revenues		
Local sources	$ 243,305	$ 95,399
State sources	5,702,087	6,127,901
Federal sources	461,453	487,379
Interdistrict sources	133,374	134,406
Total Revenues	6,540,219	6,845,085
Expenditures		
Instruction	2,938,177	2,963,814
Supporting services	3,474,716	3,460,562
Community services	15,038	29,393
Capital outlay	131,338	6,298
Debt service	310,587	288,144
Total Expenditures	6,869,856	6,748,211

General Fund

The General Fund is the Academy's primary operating fund and accounts for much of the financial activity reported as governmental activities in the academy-wide financial statements. Consequently, trends in the academy-wide financial statements generally mirror the results of operations reported in the General Fund, with state school aid and operating grants serving as the Academy's most significant revenue sources. Differences between changes in General Fund balance and changes in net position are primarily attributable to accrual-based adjustments for capital assets, long-term debt, pension and OPEB liabilities, and other long-term obligations reported in the academy-wide financial statements.

Significant changes noted for the year ending June 30, 2026 were as follows:

- Local revenues increased by $147,906 (155.0%), attributed primarily to increased local contributions, donations, and other locally generated revenue received during the year. The Academy received interest income on higher cash balance and interest rate.

- State revenues decreased by $425,814 (6.9%), attributed primarily to lower state school aid resulting from a decline in the Academy's blended pupil membership count this was partially offset by an increase in the per-pupil foundation allowance.

- Community services decreased by $14,355 (48.8%), attributed primarily to lower donation and funding for these types of services.

- Significant increases in capital outlay are discussed in the *Significant Capital Asset and Long-term Financing Activity* that follows.

Because GASB Statement No. 103 requires explanations of significant budgetary variances as required supplementary information, some factors affecting changes in General Fund revenues and expenditures may also be discussed outside the MD&A, reducing duplication while still providing users with relevant analysis. Users of this report should also consider the Budgetary Comparison Schedule (page 50) and the related Notes to the Budgetary Comparison Schedule (page 52), which provide additional discussion of significant budget-to-actual variances that may help explain changes in General Fund operating results and fund balance from the prior year.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

At the end of fiscal year 2025-26, the Academy had a $7.1 million investment in a broad range of capital assets including land, school buildings, athletic facilities, administrative offices, furniture and equipment, right to use assets, and transportation and other vehicles.

At June 30, 2026, the Academy's net investment in capital assets (after accumulated depreciation and amortization) was $6,300,833. Capital asset additions totaled $448,199 for the fiscal year, depreciation expense was $315,540 and asset disposals (net of accumulated depreciation) amounted to $2,173, resulting in an overall increase in net capital assets of $130,486.

During fiscal year 2025–26, the Academy made significant investments in capital assets through donations and the General Fund. The increase in capital outlay expenditures was driven primarily by the purchase of a school van, utility-separation improvements, and a new football practice field. These projects and purchases were undertaken to support student transportation, improve facility infrastructure and to enhance the Academy's athletics. In addition, the Academy entered into two new bus lease agreements during the year. These capital additions and lease-related assets contributed to the Academy's increase in capital assets.

The Academy will continue to evaluate capital needs through its annual budgeting and long-range planning processes. Future capital activity is expected to focus on maintaining and improving facilities and site infrastructure, with particular emphasis on student safety and operational needs. Planned projects include installation of a perimeter fence to enhance campus security and the acquisition of a bus dedicated to supporting athletic programs. The timing and scope of these expenditures will depend on available financial resources and Academy priorities.

More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.

Long-term Obligations

At year end, the Academy had $2.53 million in general obligation bonds and other long-term liabilities outstanding – a net increase of $154,186 from last year.

- During the current year, the Academy entered into a lease agreement for buses totaling $309,939.
- The Academy continued to pay down its building mortgage, retiring $79,490 in principal.
- The Academy's other obligations include employee compensated absences.

We present more detailed information about our long-term liabilities in Note G in the Notes to Basic Financial Statements.

Currently Known Facts, Decisions, or Conditions

At the time these financial statements were prepared and audited, the Academy was aware of the following circumstances that could significantly affect its financial health in the future:

- Da Vinci Schools adopted a proposed 2026–27 General Fund budget based on a blended enrollment count of 371 students, which is consistent with the enrollment assumption used in the final 2025–26 budget. The proposed 2026–27 budget was developed before final approval of the State School Aid budget. The Academy budgeted its foundation allowance at $10,150 per pupil. The State approved a foundation allowance of $10,300 per pupil that could increase State aid by $55,650 subject to final State aid calculations based on actual enrollment numbers.

- State revenue remains the Academy's primary source of operating revenue. The proposed budgeted State revenue represents approximately 81% of total budgeted General Fund revenue. As a result, the Academy's financial condition continues to be significantly affected by changes in the foundation allowance and categorical funding.

- Personnel costs will continue to be closely monitored because changes in staffing, insurance premiums and retirement costs materially affect the budget. The proposed 2026-27 General Fund budget included a 13% increase in health insurance premiums. The Academy's most recent proposed Health insurance renewal reflects an estimated 2% increase over the prior school year.

- The Academy has budgeted increased capital outlay expenditures of $602,154 for 2026–27, compared with $372,761 in the amended 2025–26 budget. The $229,393 increase reflects the planned replacement of 2 leased buses. Management will monitor the timing, scope, and actual cost of capital expenditures and may recommend budget amendments if project needs or available resources change.

Contacting the Academy's Financial Management

This financial report is designed to provide the Academy's citizens, taxpayers, customers, and investors and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Da Vinci Schools, 2985 Springport Road Jackson, MI 49202.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

DA VINCI SCHOOLS
June 30, 2026

	Governmental Activities
Assets	
Cash equivalents (Note B)	$ 1,833,739
Accounts receivable	2,747
Due from other governmental units (Note C)	1,161,840
Prepaid expenses	11,744
Capital assets not being depreciated (Note E)	672,445
Capital assets being depreciated/amortized, net (Note E)	5,628,388
Net OPEB asset (Note H)	1,026,208
Total Assets	10,337,111
Deferred Outflows of Resources	
Deferred pension amounts	1,786,361
Deferred OPEB amounts	288,447
Total Deferred Outflows of Resources	2,074,808
Liabilities	
Accounts payable	13,411
Due to other governmental units	183,510
Payroll related accrued liabilities	957
Accrued expenditures	369,863
Deferred revenue	385,751
Long-term liabilities (Note F):	
Due within one year	165,110
Due in more than one year	2,364,364
Net pension liability (Note G)	4,951,093
Total Liabilities	8,434,059
Deferred Inflows of Resources	
Deferred pension amounts	1,725,550
Deferred OPEB amounts	881,330
Total Deferred Inflows of Resources	2,606,880
Net Position	
Net investment in capital assets	3,922,169
Restricted for:	
Capital projects	20,000
Student/school activity	7,228
Unrestricted (deficit)	(2,578,417)
Total Net Position	$ 1,370,980

STATEMENT OF ACTIVITIES

DA VINCI SCHOOLS
For the year ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes In Net Position
Governmental Activities				
Instruction	$ 2,301,283	$ -	$ 2,514,314	$ 213,031
Supporting services	2,494,710	-	56,261	(2,438,449)
Community services	8,062	-	-	(8,062)
Interest on long term debt	118,565	-	-	(118,565)
Depreciation - unallocated*	315,540	-	-	(315,540)
Other	2,173	-	-	(2,173)
Total Governmental Activities	$ 5,240,333	$ -	$ 2,570,575	(2,669,758)
General Revenues				
State school aid, unrestricted				3,726,339
Interest earnings				43,130
Other				214,550
Total General Revenues				3,984,019
Change in Net Position				1,314,261
Net Position - Beginning of Year				56,719
Net Position - End of Year				$ 1,370,980

*This amount excludes direct depreciation expenses of the various programs

BALANCE SHEET
GOVERNMENTAL FUNDS

DA VINCI SCHOOLS
June 30, 2026

	General	Nonmajor	Total
Assets			
Cash equivalents (Note B)	$ 1,806,511	$ 27,228	$ 1,833,739
Accounts receivable	2,747	-	2,747
Due from other governmental units	1,161,840	-	1,161,840
Prepaid expenditures	11,744	-	11,744
Total Assets	$ 2,982,842	$ 27,228	$ 3,010,070
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 13,411	$ -	$ 13,411
Due to other governmental units	183,510	-	183,510
Payroll related accrued liabilities	957	-	957
Accrued expenditures	369,863	-	369,863
Unearned revenue	385,751	-	385,751
Total Liabilities	953,492	-	953,492
Fund Balance (Note A)			
Nonspendable	11,744	-	11,744
Restricted	-	27,228	27,228
Unassigned	2,017,606	-	2,017,606
Total Fund Balances	2,029,350	27,228	2,056,578
Total Liabilities and Fund Balance	$ 2,982,842	$ 27,228	$ 3,010,070

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

DA VINCI SCHOOLS
For the year ended June 30, 2026

Total governmental fund balances		$ 2,056,578
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $7,081,623 and accumulated depreciation is $780,790.		6,300,833
Long-term liabilities, including loans and lease liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bank loan	$ (2,126,978)	
Lease liabilities	(251,686)	
Compensated absences	(150,810)	(2,529,474)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(4,951,093)	
Deferred outflows of resources	1,786,361	
Deferred inflows of resources	(1,725,550)	(4,890,282)
Net OPEB asset and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB asset	1,026,208	
Deferred outflows of resources	288,447	
Deferred inflows of resources	(881,330)	433,325
Total net position - governmental activities		$ 1,370,980

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

DA VINCI SCHOOLS
For the year ended June 30, 2026

	General	Nonmajor	Total
Revenues			
Local sources	$ 243,305	$ 14,375	$ 257,680
State sources	5,702,087	-	5,702,087
Federal sources	461,453	-	461,453
Interdistrict sources	133,374	-	133,374
Total Revenues	6,540,219	14,375	6,554,594
Expenditures			
Current:			
Instruction	2,938,177	-	2,938,177
Supporting services	3,474,716	16,885	3,491,601
Community services	15,038	-	15,038
Capital outlay	131,338	-	131,338
Debt service:			
Principal repayment	189,151	-	189,151
Interest and fiscal charges	121,436	-	121,436
Total Expenditures	6,869,856	16,885	6,886,741
Excess (Deficiency) of Revenues Over Expenditures	(329,637)	(2,510)	(332,147)
Other Financing Sources (Uses)			
Inception of lease	309,939	-	309,939
Transfers in	-	10,000	10,000
Transfers out	(10,000)	-	(10,000)
Total Other Financing Sources (Uses)	299,939	10,000	309,939
Net Change in Fund Balance	(29,698)	7,490	(22,208)
Fund Balance, Beginning of Year	2,059,048	19,738	2,078,786
Fund Balance, End of Year	$ 2,029,350	$ 27,228	$ 2,056,578

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

DA VINCI SCHOOLS
For the year ended June 30, 2026

Net change in fund balances - total governmental funds			$ (22,208)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:			
	Capital outlay	$ 448,199	
	Depreciation expense	(315,540)	132,659
In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold/retired.			(2,173)
Proceeds from the inception of leases are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Position.			(309,939)
Repayment of principal for loans and lease laibilities are expenditures in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and does notaffect the Statement of Activities.			
	Bank loan	79,490	
	Lease liabilities	109,661	189,151
Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid.			2,871
In the Statement of Net Position, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned exceeded the amounts used/paid.			(33,398)

Continued on next page.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (Cont.)

DA VINCI SCHOOLS
For the year ended June 30, 2026

The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	$	1,058,708
The changes in net OPEB asset and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.		298,590
Total changes in net position - governmental activities	$	1,314,261

NOTES TO BASIC FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Da Vinci Schools (the "Academy") was organized under the School Code of the State of Michigan, and services a population of approximately 370 students. The Academy was organized pursuant to The Public Act 451 of Part 6A as revised. The Law allows for the Academy to be eligible for State Aid and requires it to comply with Michigan School Code provisions.

The financial statements of Da Vinci Schools have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school academies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Academy's significant accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The Academy is a primary government because it is a special-purpose government that has a separately appointed governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Academy for financial statement presentation purposes, and the Academy is not included in any other governmental reporting entity. Consequently, the Academy's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. Academy-wide and Fund Financial Statements

Academy-wide Financial Statements - The academy-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the Academy as a whole. The reported information includes all of the nonfiduciary activities of the Academy. The Academy does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Academy. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Academy does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resources basis, which recognizes all long-term assets and deferred outflows of resources, as well as all long-term debt and obligations and deferred inflows of resources. The Academy's net position is presented in three parts: investments in capital assets, net of related debt; restricted net position, and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted state aid, interest earnings, and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the Academy's only major fund. Nonmajor funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities, and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the academy-wide level. Reconciliations between the two sets of statements are provided separately.

Revenues are recognized when susceptible to accrual, i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Academy before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Academy-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a 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. Revenues from State sources are 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 revenues in accordance with State law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school academy functions typically are financed. The acquisition use and balances of a school academy's expendable financial resources and the related current liabilities are accounted for through governmental funds.

Major Fund:

The *General Fund* is the general operating fund of the Academy. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Services Funds – School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Fund maintained by the District is the Student/School Activity Special Revenue Funds.

Capital Projects Funds – Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose of which the funds were created has been accomplished.

When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of an academy be under budgetary control and that both budgeted and actual financial results do not incur a deficit. An academy's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from an academy's budget may occur without a corresponding amendment to the budget. An academy has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. An academy may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Directors. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

For the year ended June 30, 2026, both budgeted and actual financial results reflected a deficit, with expenditures in excess of revenues.

Da Vinci Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- In the spring, administrative personnel propose operating budgets for the ensuing fiscal year.
- In June, a preliminary operating budget is submitted to the Board of Directors. This budget includes proposed expenditures and the means of financing them.
- After the budget is finalized, the Board of Directors adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General Fund budgets was amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- The budget for the General Fund was adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Capital Assets

Capital assets, which include land improvements, furniture and equipment, buildings and improvements, and buses and vehicles are reported in the academy-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed $5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	50 years
Buildings and improvements	50 years
Furniture and equipment	5 – 20 years
Buses and vehicles	10 years

Leased buses and subscription based IT arrangements are amortized using the straight-line method over the shorter of the useful life or contract term.

7. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements. Governmental fund financial statements, however, focus on current financial resources and therefore report debt service payments as expenditures in the period incurred rather than reporting the related long-term liabilities.

8. Compensated Absences

Compensated absences for employees of the Academy consist of accumulated sick leave as of June 30, 2026. In accordance with applicable accounting standards, the Academy accrues a liability for compensated absences when it is more likely than not that the benefit will be realized by the employee, either through future use or payment upon separation from service. As of June 30, 2026, the total accrued compensated absences amounted to $150,810.

11. Retirement Plan

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the Academy during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS), and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

12. Postemployment Benefits Plan Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the Academy during the fiscal year ended June 30, 2018. This Statement establishes standards for recognizing and measuring other post-employment benefits (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans-OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

13. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Academy has two such items that qualify for reporting in this category: the deferred outflows of resources relating to the recognition of net pension liability on the financial statements and the deferred outflows of resources relating to the recognition of net OPEB asset on the financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has two types of items that qualify for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB asset on the financial statements.

14. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

15. Fund Balance

The Academy had adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).

- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Directors). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts.

- Assigned – resources that are constrained by the government's *intent* to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes.

- Unassigned – unassigned fund balance is 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 General Fund should be the only fund that reports a positive unassigned fund balance amount.

As of June 30, 2026, Da Vinci Schools had not established a policy for its use of unrestricted fund balance amounts; it considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

16. Estimates

The preparation of the 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.

Note B – Cash Equivalents

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- United States or federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school academy in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act. Act 367 of the Public Acts of 1982 being sections 129.11 to 129.118 of the Michigan compiled laws, composed entirely of instruments that are legal for direct investment by an academy in Michigan.

Balances at June 30, 2026 related to cash equivalents are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	$ 1,833,739

Cash Equivalents

Depositories actively used by the Academy during the year are detailed as follows:

1. County National Bank

Cash equivalents consist of bank public funds checking and savings accounts.

Custodial Credit Risk Related to Bank Deposits
Custodial credit risk is the risk that in the event of bank failure, the Academy's bank deposits may not be returned to the Academy. Protection of the Academy's bank deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Academy's cash equivalents was $1,833,739, and the bank balance was $1,878,865. Of the bank balance $250,000 was covered by federal depository insurance, and $1,628,865 was uninsured and uncollateralized.

Note C – State School Aid

State revenues pass through to Michigan schools in the form of a per pupil "Foundation Allowance" paid on a "blended count" of Academy pupil membership in February 2025 and October 2025. The 2025-26 "Foundation Allowance" for Da Vinci Schools was $10,050 for 371 "Full Time Equivalent" students, generating $5,649,596 in state aid payments to the Academy of which $1,038,346 was paid to the Academy in July and August, 2026 and included in "Due From Other Governmental Units" of the General Fund.

Note D – Interfund Receivables/Payables and Transfers

There were no interfund receivables/payable outstanding at June 30, 2026.

Transfers between funds during the year ended June 30, 2026 were as follows:

	Transfers In	Transfers Out
Major Funds:		
General Fund:		
Capital Projects Funds:		
Capital Improvements	$ -	$ 10,000
Nonmajor Funds:		
Capital Projects Funds:		
Capital Improvements Fund:		
General Fund	10,000	-
Total All Funds	$ 10,000	$ 10,000

The transfer between the General Fund and Capital Improvements Fund was for the purpose of funding future capital repairs, replacements, and improvements.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2026 was as follows:

	Balances July 1, 2025	Additions	Deductions	Balances June 30, 2026
Capital assets not being depreciated:				
Land	$ 672,445	$ -	$ -	$ 672,445
Capital assets being depreciated and amortized:				
Land improvements	$ -	$ 82,737	$ -	$ 82,737
Buildings and improvements	5,031,604	34,960	-	5,066,564
Furniture and equipment	780,211	-	-	780,211
Buses and vehicles	28,520	20,063	6,520	42,063
Intangible right-to-use assets:				
Bus leases	303,447	310,439	176,283	437,603
Subscription-based IT arrangements	23,957	-	23,957	-
Total capital assets being depreciated and amortized	6,167,739	$ 448,199	$ 206,760	6,409,178
Less accumulated depreciation and amortization for:				
Land improvements	-	$ 345	$ -	345
Buildings and improvements	183,962	126,061	-	310,023
Furniture and equipment	221,702	58,164	-	279,866
Buses and vehicles	4,347	7,645	4,347	7,645
Intangible right-to-use assets:				
Bus leases	239,196	119,998	176,283	182,911
Subscription-based IT arrangements	20,630	3,327	23,957	-
Total accumulated depreciation and amortization	669,837	$ 315,540	$ 204,587	780,790
Total capital assets being depreciated and amortized, net	5,497,902			5,628,388
Net Capital Assets	$ 6,170,347			$ 6,300,833

Depreciation and amortization expense for the Academy was $315,540. The Academy determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note F – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2026 are summarized as follows:

	Debt Outstanding July 1, 2025	Debt Added	Debt Retired	Debt Outstanding June 30, 2026
Long-term obligations:				
Bank loan	$ 2,206,468	$ -	$ 79,490	$ 2,126,978
Lease liabilities	51,408	309,939	109,661	251,686
Compensated absences	117,412	33,398	-	150,810
	$ 2,375,288	$ 343,337	$ 189,151	$ 2,529,474

Long-term obligations at June 30, 2026 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
Long-term Obligations				
$2,355K Bank Loan:				
$15,216 monthly installments through May 2028, Final installment of $1,971,585	June 20, 2028	4.75%	$ 2,126,978	$ 83,349
Lease Liabilities				
$310,439 Bus Lease:				
Annual maturities of $78,886 to $91,039	July 1, 2029	6.08	251,686	81,761
Other Obligations				
Compensated absences			150,810	-
			$ 2,529,474	$ 165,110

The annual requirements to pay principal and interest on long-term obligations and lease liabilities outstanding are as follows:

Years Ending June 30	Bank Loan		Lease Liabilities		
	Principal	Interest	Principal	Interest	Total
2027	$ 83,349	$ 99,239	$ 81,761	$ 12,851	$ 277,200
2028	2,043,628	95,333	78,886	8,162	2,226,009
2029	-	-	83,821	3,227	87,048
2030	-	-	7,218	37	-
	$ 2,126,977	$ 194,572	$ 251,686	$ 24,277	$ 2,590,257

Note G – Retirement Plan

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (the "System") is a cost- sharing, multiple-employer, state-wide, defined benefit public employee retirement plan and fiduciary component unit of the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor, and the State Superintendent of Instruction, who serves as the ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The age and service requirements range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by .50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. The System also provides disability and survivor benefits to DB plan members.

Certain employees have the option to participate in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2022 is amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the plan fiscal year ended September 30, 2025.

		Pension Contribution Rates:	
Plan Name	**Plan Status**	**Member**	**Academy**
Basic	Closed	0.0 – 4.0%	30.11%
Member Investment Plan (MIP)	Closed	3.0 – 7.0%	30.11%
Pension Plus (Hybrid)	Closed	3.0 – 6.4%	26.27%
Pension Plus 2 (Hybrid)	Open	6.2%	27.16%
Defined Contribution	Open	0.0%	20.96%

The Academy's contributions to MPSERS under all pension plans for the year ended June 30, 2026 inclusive of the MSPERS UAAL Stabilization, totaled $1,068,961.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2026, the Academy reported a liability of $4,951,093 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2024. The Academy's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. As of September 30, 2025 the Academy's proportion was 0.02471470%, which was a decrease from 0.02574143% at September 30, 2024.

For the year ended June 30, 2026, the Academy recognized pension expense of $467,911. As of June 30, 2026, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 191,770	$ 44,099
Changes of assumptions	177,709	261,677
Net difference between projected and actual earnings on pension plan investments	—	1,183,205
Changes in proportion and differences between Academy contributions and proportionate share of contributions	439,912	236,569
Academy contributions subsequent to the measurement date*	976,970	—
Total	$ 1,786,361	$ 1,725,550

* This amount, reported as deferred outflows of resources related to pensions resulting from Academy contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2027.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2027	$ 87,639
2028	(441,703)
2029	(412,702)
2030	(149,393)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2024
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans:	6.00% net of investment expenses
Pension Plus Plan:	6.00% net of investment expenses
Pension Plus 2:	6.00% net of investment expenses
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Cost-of-Living Adjustments:	3% annual non-compounded for MIP members
Mortality:	
Retirees:	PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Mortality Tables scaled by 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2025 is based on the results of an actuarial valuation date of September 30, 2024 and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4524 for non-university employers].

- Recognition period for assets in years: 5.0000.

- Full actuarial assumptions are available in the 2025 MPSERS Annual Comprehensive Financial Report found on the ORS website at (www.michigan.gov/orsschools).

Long-Term Expected Rate of Return on Plan Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2025 are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	21.0%	5.8%
International Equity Pools	14.0	5.6
Private Equity Pools	16.0	9.3
Real Estate and Infrastructure Pools	8.0	7.0
Fixed Income Pools	15.0	2.5
Absolute Return Pools	13.0	4.4
Real Return/Opportunistic Pools	9.0	7.0
Short-term Investment Pools	4.0	1.3
Total	**100.0%**	

*Long-term rates of return are net of administrative expenses and 2.4% inflation.

Rate of Return

For the fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus Plan , 6.00% for the Pension Plus 2 Plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus Plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
Academy's proportionate share of the net pension liability	$ 7,813,098	$ 4,951,093	$ 2,567,409

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System September 30, 2025 Annual Comprehensive Financial Report, available on the ORS website: (www.michigan.gov/orsschools).

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

Payables to the pension plan totaling $148,466 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources. The payables are included in the "Due to Other Governmental Units" at June 30, 2026.

Note H – Other Postemployment Benefits

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS or "System") is a cost-sharing, multiple- employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees' Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Beginning October 1, 2025, active members who have the premium subsidy healthcare benefit are no longer required to pay the 3% contribution toward future healthcare benefits.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2022 is amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2025:

OPEB Contribution Rates:

Benefit Structure	Member	Academy
Premium Subsidy	3.0%	1.25%
Personal Healthcare Fund (PHF)	0.0%	0.00%

Required contributions to the OPEB plan from the Academy were $37,564 for the year ended June 30, 2026.

OPEB Assets, OPEB Credit, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2026, the Academy reported an asset of $1,026,208 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2024. The Academy's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. As of September 30, 2025 the Academy's proportion was 0.01688087%, which was a decrease from 0.02690122% at September 30, 2024.

For the year ended June 30, 2026, the Academy recognized an OPEB credit of $265,005. At June 30, 2026, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 702,591
Changes of assumptions	136,958	10,884
Net difference between projected and actual earnings on OPEB plan investments	—	144,205
Changes in proportion and differences between Academy contributions and proportionate share of contributions	118,286	23,650
Academy contributions subsequent to the measurement date*	33,203	—
Total	$ 288,447	$ 881,330

* This amount, reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date, will be recognized as an addition of the net OPEB asset in the year ended June 30, 2027.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2027	$ (155,321)
2028	(162,986)
2029	(150,539)
2030	(100,881)
2031	(42,323)
Thereafter	(14,036)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2024
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expense
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	Pre-65 - 7.75% Year 1 graded to 3.5% Year 15 Post-65 – 6.50% Year 1 graded to 3.5% Year 15
Mortality:	
Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions:

Opt Out Assumptions:	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage:	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2025 is based on the results of an actuarial valuation date of September 30, 2024 and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [6.4654 for non-university employers].

- Recognition period for assets in years: 5.0000.

- Full actuarial assumptions are available in the 2025 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Rate of Return on Plan Investments

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2025, are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	16.0%	5.8%
International Equity Pools	11.0	5.6
Private Equity Pools	16.0	9.3
Real Estate and Infrastructure Pools	5.0	7.0
Fixed Income Pools	26.0	2.5
Absolute Return Pools	15.0	4.4
Real Return/Opportunistic Pools	7.0	7.0
Short-term Investment Pools	4.0	1.3
Total	**100.0%**	

* Long-term rates of return are net of administrative expenses and 2.4% inflation.

Rate of Return

For the fiscal year ended September 30, 2025, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 9.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Academy's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 6.00 percent, as well as what the Academy's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Academy's proportionate share of the net OPEB liability (asset)	$ (881,143)	$ (1,026,208)	$ (1,150,546)

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability (Asset) to Healthcare Cost Trend Rate

The following presents the Academy's proportionate share of the net OPEB liability (asset) calculated using assumed trend rates, as well as what the Academy's proportionate share of the net OPEB liability (asset) would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Academy's proportionate share of the net OPEB liability (asset)	$ (1,149,411)	$ (1,026,208)	$ (896,849)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2025 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

Payables to the OPEB plan totaling $4,331 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources. The payables are included in the "Due to Other Governmental Units" at June 30, 2026.

Note I – Risk Management and Employee Benefits

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

There were no significant reductions in insurance coverage in fiscal 2025-26, and as of the year ended June 30, 2026, there were no material pending claims against the Academy.

Note J – New Accounting Pronouncement

The Academy adopted GASB Statement No. 103, *Financial Reporting Model Improvements,* during the fiscal year ended June 30, 2026. This statement modifies certain requirements related to management's discussion and analysis, unusual or infrequent items, proprietary fund reporting, budgetary comparison information, and other financial reporting presentations. The implementation of this statement resulted in changes to financial statement presentation and disclosures but had no effect on the Academy's net position.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

	Budgeted Amounts		Variance -- Original to Final
	Original	Final	Budgeted
Revenues			
Local sources	$ 70,775	$ 240,797	$ 170,022
State sources	5,574,380	5,707,417	133,037
Federal sources	558,035	481,183	(76,852)
Interdistrict sources	133,373	133,373	-
Total Revenues	6,336,563	6,562,770	226,207
Expenditures			
Current:			
Instruction:			
Basic programs	2,052,950	2,082,868	29,918
Added needs	830,229	1,000,479	170,250
Supporting services:			
Pupil services	465,711	457,196	(8,515)
Instructional staff services	312,986	264,404	(48,582)
General administrative services	413,745	467,485	53,740
School administrative services	619,002	627,855	8,853
Business services	307,492	201,379	(106,113)
Operation and maintenance services	874,375	737,023	(137,352)
Pupil transportation services	591,968	699,128	107,160
Central support services	88,996	90,425	1,429
Other support services	-	-	-
Community activities	12,456	16,295	3,839
Capital outlay	-	131,737	131,737
Debt service:			
Principal repayment	209,490	211,922	2,432
Interest and fiscal charges	-	103,098	103,098
Total Expenditures	6,779,400	7,091,294	311,894
Excess (Deficiency) of Revenues Over Expenditures	(442,837)	(528,524)	(85,687)
Other Financing Sources (Uses)			
Inception of lease	150,000	310,439	(160,439)
Transfers out	(10,000)	(10,000)	-
Total Other Financing Sources (Uses)	140,000	300,439	(160,439)
Net Change in Fund Balances	(302,837)	(228,085)	(246,126)
Fund Balances, Beginning of Year	2,059,048	2,059,048	-
Fund Balances, End of Year	$ 1,756,211	$ 1,830,963	$ (246,126)

See accompanying notes to budgetary comparison schedule.

Actual Amounts	Variance -- Final Budgeted to Actual Amounts
$ 243,305	$ 2,508
5,702,087	(5,330)
461,453	(19,730)
133,374	1
6,540,219	(22,551)
1,982,612	100,256
955,565	44,914
442,836	14,360
256,739	7,665
461,813	5,672
609,948	17,907
199,925	1,454
726,108	10,915
688,463	10,665
87,155	3,270
1,729	(1,729)
15,038	1,257
131,338	399
189,151	22,771
121,436	(18,338)
6,869,856	221,438
(329,637)	(243,989)
309,939	500
(10,000)	-
299,939	500
(29,698)	(243,489)
2,059,048	-
$ 2,029,350	$ (243,489)

Variances - Final Budget Over (Under) Original Budget	Amount	Variance Explanations
Revenues		
Local sources	$ 170,022	*Higher than expected interest was earned based cash and investments. The original budget was developed on a conservative number. The final budget also included $80,000 associated with donations for the purchase of a school van and to develop a football practice field. An additional $54,000 variance arose from timber sale and sales tax refund on paid utilities. These revenues were not included in the original budget because the related transactions, awards, donations, or refunds were identified after the original budget was adopted.*
State sources	133,037	*The original budget was developed using an estimated weighted average membership of 408 students and a per-pupil foundation allowance of $9,608. At the time the budget was adopted, final State School Aid amounts had not yet been established. The actual 2025–26 weighted average membership was 371 students. Although the State subsequently approved a foundation allowance of $10,050 per pupil an increase of $442 per pupil above the original budget assumption. The higher per pupil allowance therefore partially reduced the revenue effect of the lower student count. The State awarded additional funds for At Risk, Educator Compensation Enrollment Stabilization amounts after the Original budget was developed. FAFSA and 31aa funds were deferred due to timing and the expiration dates of the grants.*
Federal sources	(76,852)	*The anticipated number of Grow Your Own participants changed, resulting in a $60,000 reduction to the schools award at the end of the school year.*
Expenditures		
Added needs	170,250	*The final budget primarily reflects updated staffing, substitute, retirement, benefits, at-risk, special education and program allocations based on actual needs and expenditures.*
Instructional Staff Services	(48,582)	*The decrease was primarily caused by the participation in the Grow Your Own program.*

Business services	$ (106,113)	*The decrease was due to the reclassification of interest expense from Business Services to Debt Service.*
Operation and maintenance services	(137,352)	*The Academy's electricity budget was reduced by $66,500 to reflect the revised electrical costs due to the separation of services from Baker College. The COPS grant matching costs of $47,209 and door project costs of $48,168 were removed from the final budget because the project was deferred to and is expected to be completed in the 26/27 school year.*
Pupil transportation services	107,160	*The Acadamy amended its transportation budget to reflect higher than expected bus acquisition costs. The Academy also elected to structure the bus lease over four years rather than the three-year term assumed in the original budget. In addition, bus driver wages were reduced based on revised transportation staffing due to driver shortages which required the Director of Transportation to assume bus route responsibilities.*
Capital outlay	131,737	*During the 2025–26 school year the school received a donation to support the development of a football field. The school also engaged an architect to prepare preliminary designs for a potential future school gym to be funded by a future capital campaign or donation. The school also reached an agreement with Baker College to partially pay for the split of the electrical services.*
Interest and fiscal charges	103,098	*The increase was due to the reclassification of interest expense from Business Services to Debt Service.*
<u>Other Financing Sources</u>		
Inception of lease	(160,439)	*On the budget resolution $150,000 was included in Other Sources for the school bus lease. The school decided to lease the buses for longer and the cost of the buses increased from the previous the lease proposal.*

Variances - Actual Amounts (Over) Under Final Budget	Amount	Variance Explanations
Expenditures		
Basic programs	$ 100,256	*The variance is a result of timing of staffing and planned expenditure savings. Employee retirement costs are budgeted using an overall estimated rate rather than each employee's actual retirement percentage. As a result, variances in individual retirement line items are expected as actual payroll and contribution rates are applied throughout the year.*

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SCHEDULE OF ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN

	Year Ended June 30, 2026	Year Ended June 30, 2025	Year Ended June 30, 2024
Academy's proportion of the net pension liability	0.02471470%	0.02574143%	0.02393108%
Academy's proportionate share of the net pension liability	$ 4,951,093	$ 6,302,021	$ 7,745,549
Academy's covered-employee payroll	$ 2,875,233	$ 2,954,691	$ 2,627,882
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.20%	213.29%	294.74%
Plan fiduciary net position as a percentage of the total pension liability	79.44%	74.44%	65.91%

Note: The amounts presented for the last ten fiscal years were determined as of September 30 of the preceding year.

There were no changes to benefit terms or assumptions in 2025-26.

Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017
0.02812900%	0.02196590%	0.02051007%	0.01931732%	0.01894346%	0.01784785%	0.01613189%
$ 8,579,640	$ 5,200,517	$ 7,045,432	$ 6,397,247	$ 5,694,746	$ 4,625,137	$ 4,024,775
$ 2,205,815	$ 2,069,007	$ 1,924,316	$ 1,718,040	$ 1,682,116	$ 1,595,354	$ 1,368,877
388.96%	251.35%	366.13%	372.36%	338.55%	289.91%	294.02%
60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

SCHEDULE OF ACADEMY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
MPSERS COST-SHARING MULTIPLE EMPLOYER PLAN

	Year Ended June 30, 2026	Year Ended June 30, 2025	Year Ended June 30, 2024
Academy's proportion of the net OPEB liability (asset)	0.01688087%	0.02690122%	0.02574134%
Academy's proportionate share of the net OPEB liability (asset)	$ (1,026,208)	$ (1,157,935)	$ (145,618)
Academy's covered-employee payroll	$ 2,875,233	$ 2,954,691	$ 2,627,882
Academy's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	(35.69%)	(39.19%)	(5.54%)
Plan fiduciary net position as a percentage of the total OPEB liability	164.94%	143.08%	105.04%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

There were no changes to benefit terms or assumptions in 2025-26.

Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
0.02235248%	0.02237155%	0.02142068%	0.01950218%	0.01964863%	0.01798093%
$ 473,440	$ 341,474	$ 1,147,563	$ 1,399,817	$ 1,561,860	$ 1,592,296
$ 2,205,815	$ 2,069,007	$ 1,924,316	$ 1,718,040	$ 1,682,116	$ 1,595,354
21.46%	16.50%	59.63%	81.48%	92.85%	99.81%
83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

SCHEDULE OF ACADEMY PENSION CONTRIBUTIONS
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN

	Year Ended June 30, 2026	Year Ended June 30, 2025	Year Ended June 30, 2024
Contractually required contribution	$ 1,068,961	$ 1,077,953	$ 1,081,706
Contributions in relation to the contractually required contribution	1,068,961	1,077,953	1,081,706
Contribution deficiency (excess)	$ -	$ -	$ -
Academy's covered-employee payroll	$ 2,890,138	$ 2,795,604	$ 2,941,651
Contributions as a percentage of covered employee payroll	36.99%	38.56%	36.77%

Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017
$ 1,079,806	$ 784,516	$ 646,176	$ 557,953	$ 514,183	$ 474,928	$ 419,811
1,079,806	784,516	646,176	557,953	514,183	474,928	419,811
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 2,518,499	$ 2,182,333	$ 1,998,648	$ 1,898,424	$ 1,673,330	$ 1,667,979	$ 1,576,600
42.87%	35.95%	32.33%	29.39%	30.73%	28.47%	26.63%

SCHEDULE OF ACADEMY OPEB CONTRIBUTIONS
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN

	Year Ended June 30, 2026	Year Ended June 30, 2025	Year Ended June 30, 2024
Contractually required contribution	$ 37,564	$ 40,983	$ 228,134
Contributions in relation to the contractually required contribution	37,564	40,983	228,134
Contribution deficiency (excess)	$ -	$ -	$ -
Academy's covered-employee payroll	$ 2,890,138	$ 2,795,604	$ 2,941,651
Contributions as a percentage of covered employee payroll	1.30%	1.47%	7.76%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
$ 194,697	$ 176,290	$ 159,438	$ 149,944	$ 135,037	$ 129,260
194,697	176,290	159,438	149,944	135,037	129,260
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,518,499	$ 2,182,333	$ 1,998,648	$ 1,898,424	$ 1,673,330	$ 1,667,979
7.73%	8.08%	7.98%	7.90%	8.07%	7.75%

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DA VINCI SCHOOLS
June 30, 2026

	Special Revenue	Capital Projects	
	Student/School Activity	Capital Improvement	Total
Assets			
Cash equivalents	$ 7,228	$ 20,000	$ 27,228
Liabilities and Fund Balance			
Liabilities	$ -	$ -	$ -
Fund Balance			
Restricted	7,228	20,000	27,228
Total Liabilities and Fund Balance	$ 7,228	$ 20,000	$ 27,228

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS

DA VINCI SCHOOLS
June 30, 2026

	Special Revenue	Capital Projects	
	Student/School Activity	Capital Improvements	Total
Revenues			
Local sources	$ 14,375	$ -	$ 14,375
Expenditures			
Current:			
Supporting services	16,885	-	16,885
Excess (Deficiency) of Revenues Over Expenditures	(2,510)	-	(2,510)
Other Financing Sources (Uses)			
Transfers in	-	10,000	10,000
Net Change in Fund Balance	(2,510)	10,000	7,490
Fund Balance, Beginning of Year	9,738	10,000	19,738
Fund Balance, End of Year	$ 7,228	$ 20,000	$ 27,228

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL – STUDENT/SCHOOL ACTIVITY FUND

DA VINCI SCHOOLS
June 30, 2026

	Budget	Actual	Variance
Revenues			
Local sources	$ 14,369	$ 14,375	$ 6
Expenditures			
Current:			
Other student/school activities	17,138	16,885	253
Net Change in Fund Balance	(2,769)	(2,510)	259
Fund Balance, Beginning of Year	9,738	9,738	-
Fund Balance, End of Year	$ 6,969	$ 7,228	$ 259

INTERNAL CONTROL AND COMPLIANCE

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

September 18, 2026

The Board of Directors
Da Vinci Schools
Jackson, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Da Vinci Schools (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, and have issued our report thereon dated September 18, 2026.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hungerford

Certified Public Accountants
Grand Rapids, Michigan

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September 18, 2026

The Board of Education
Da Vinci Schools
Jackson, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Da Vinci Schools for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and Government Auditing Standards and the Uniform Guidance, as applicable), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Da Vinci Schools are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2026. As described in Note J to the financial statements, Da Vinci Schools adopted GASB No. 103, Financial Reporting Model Improvements, during the fiscal year ended June 30, 2026, resulting in changes to financial statement presentation and disclosures but had no effect on the District's net position. We noted no transactions entered into by the governmental unit 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. The most sensitive estimates affecting the Government-Wide financial statements were:

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. Certain amounts included in capital assets have been estimated by appraisers based on historical information for assets placed in service prior to implementation of GASB Statement No. 34.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were related to the District's share of the net pension and net OPEB liabilities related to GASB Statements No. 68 and 75.

> The disclosure of the net pension liability and the net OPEB liability in the Notes to the financial statements were recorded as of June 30, 2026 based on information received from the Michigan Office of Retirement Services. We evaluated the key factors and assumptions used to develop these liabilities in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties 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. Management has corrected all such misstatements, and no material misstatements were identified during the audit of the year ended June 30, 2026.

Disagreements with Management

For purposes 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, which could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit'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 the Management's Discussion and Analysis and Schedules related to the Proportionate Share and Contributions of the District's Net Pension and Net OPEB Liabilities, 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.

Other Comments

The District General Fund balance decreased by $29,698 to $2,029,350 at June 30, 2026. This balance represents approximately 28.3 percent of the District's 2026-27 expenditure budget (down from 30.3 percent at June 30, 2025). Maintaining a fund balance of at least 20 of the ensuing year's expenditure budget is advisable for Da Vinci Schools, as recommended by the Michigan Department of Education.

Restriction on Use

This communication is intended solely for the information and use of the Da Vinci Schools Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audited financial statements as required by the State of Michigan.

Hungerford

Hungerford
Grand Rapids, Michigan