Kalamazoo Prep Academy

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2026

KALAMAZOO
PREP ACADEMY

Kalamazoo Prep Academy

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Brickley DeLong
CPAs AND ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kalamazoo Prep Academy
Kalamazoo, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of Kalamazoo Prep Academy (the School), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the School'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 and the General Fund of the School 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 School 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 School'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.

Report on the Audit of the Financial Statements—Continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 School'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 School'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.

Report on the Audit of the Financial Statements—Continued

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2026, on our consideration of the School'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 School'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 School's internal control over financial reporting and compliance.

Brickley DeLong, P.C.

Muskegon, Michigan
October 30, 2026

The purpose of management's discussion and analysis (MD&A) is to help the Kalamazoo Prep Academy's (Academy) residents and other readers understand what the financial statements and notes in this financial report say about the Academy's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the Academy's finances.

Overview of the Financial Statements

The Academy's financial report contains basic financial statements. Those financial statements present the Academy's finances at both an overall and a detailed level. The first two - the *government-wide financial statements* - cover the Academy's governmental activities.

- *Governmental activities* comprise the Academy's most basic functions, such as instruction, support services, and food services. Governmental activities primarily are financed by state aid foundation and federal grants. These statements provide both short-term and long-term information.

The remaining basic financial statements present the Academy's finances in greater detail. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The Academy reports governmental fund financial statements. These report all of the governmental activities. The Academy's main operating fund - the General Fund – is reported on the fund financial statements.

The next section of this financial report contains *notes to financial statements*, which delve deeper into the Academy's finances as reported in the financial statements. The information in the notes is as important to understanding the Academy's finances as the information in the financial statements. The Academy uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Types of Information in the Financial Statements

All of the Academy's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting. In other words, they comprehensively report all types of financial statement elements:

- *Assets* - resources the Academy controls, from short-term assets like cash and cash equivalents to long-term assets like buildings and transportation equipment.
- *Liabilities* - amounts the Academy owes, from short-term liabilities such as salaries and related items to long-term liabilities such as outstanding debt and pension obligations.
- *Deferred outflows of resources and deferred inflows of resources* - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- *Revenues and expenses* - inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on construction.

Types of Information Reported in the Academy's Financial Statements

	Financial Statements	
	Government-wide	Governmental Funds
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short term and long term	Only current financial resources, such as cash, receivables, and accounts payable
Types of revenues / additions	All types of revenues/additions that flow into the Academy during the year that relate to that year, regardless of when cash is received	Only revenues that are measurable and available to finance expenditures of that year
Types of expenses / deductions / expenditures	All types of expenses/deductions that flow out of the Academy during the year that relate to that year, regardless of when cash is paid	Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the Academy during the year that relate to a future year	Current financial resources that flow into and out of the governmental funds during the year that relate to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies.

Financial Summary and Analysis

The table below shows that as of June 30, 2026, the Academy's total net position - assets and deferred outflows minus liabilities and deferred inflows - was $2,922,059 an increase of $259,769 or 9.8 percent compared with 2025. All of the increase in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities.

Statement of Net Position

	2026	2025	Dollar Change	Total Percentage Change	
Assets					
Current and other assets	$ 2,095,335	$ 1,882,843	$ 212,492	11.3	%
Noncurrent assets	1,079,581	1,076,591	2,990	0.3	
Total assets	3,174,916	2,959,434	215,482	7.3	
Liabilities					
Current liabilities	252,857	293,283	(40,426)	(13.8)	
Long-term liabilities	-	3,861	(3,861)	(100.0)	
Total liabilities	252,857	297,144	(44,287)	(14.9)	
Net Position					
Net investment in capital assets	1,075,720	1,068,264	7,456	0.7	
Unrestricted	1,846,339	1,594,026	252,313	15.8	
Total net position	**$ 2,922,059**	**$ 2,662,290**	**$ 259,769**	9.8	%

Governmental Activities

The table below shows that revenues continued to exceed expenses in the current year, resulting in an increase in net position. The total net position of the Academy's governmental activities was $2,922,059, an increase of $259,769 or 26.1 percent lower than the change from 2025. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

- Increase in State sources
- Changes in management service and curriculum
- Increase in salaries and benefits

Statement of Activities

	2026	2025	Dollar Change	Total Percentage Change
Revenue				
Program revenue				
Grants and contributions	$ 712,516	$ 561,423	$ 151,093	26.9 %
General revenue				
Unrestricted state aid	2,108,756	1,893,165	215,591	11.4
Investment and other income	34,693	100,273	(65,580)	(65.4)
Total revenues	2,855,965	2,554,861	301,104	11.8
Function/program expense				
Instruction	1,099,403	802,816	296,587	36.9
Support services	1,435,944	1,341,893	94,051	7.0
Community services	60,597	58,155	2,442	4.2
Interest on long-term debt	252	427	(175)	(41.0)
Total expenses	2,596,196	2,203,291	392,905	17.8
Changes in net position	259,769	351,570	(91,801)	(26.1)
Beginning net position	2,662,290	2,310,720	351,570	15.2
Ending net position	**$ 2,922,059**	**$ 2,662,290**	**$ 259,769**	9.8 %

Increase in State Sources

State sources increased in the current year compared to the prior year, which accounts for 87 percent of overall revenues. State sources are product of student counts multiplied by the foundation allowance. The foundation allowance increased by $442 per pupil in 2026. In addition, the Academy also received Enrollment Stabilization and Educator compensation payments that were not received in the prior year.

Change in management service and curriculum

During the current fiscal year, the Academy changed educational service provider to Reimagine Education. Reimagine has stated to the Board of Kalamazoo Prep Academy that it will provide the Academy with comprehensive management and operational services in furtherance of the Academy's mission. Reimagine's educational curriculum is primarily online, which requires a substantial amount of technology infrastructure and licensing to support a secure learning environment for students and staff.

Increase in staff compensation and benefits
Total staff compensation and benefits increased by approximately $151,000. This is due to the Academy's intentional investments in core teaching, special education, building leadership and switching to Reimagine Education. The Academy did offset some of the cost with the reduction of support roles and assistants.

Governmental Funds

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

Revenues, Expenditures, and Changes in Fund Balances

	General Fund	
	2026	**2025**
REVENUES	$ 2,855,965	$ 2,554,861
EXPENDITURES	2,603,652	2,311,182
Net change in fund balance	252,313	243,679
Beginning fund balance	1,594,026	1,350,347
Ending fund balance	**$ 1,846,339**	**$ 1,594,026**

Fund balance represents the financial standing of a governmental fund at the end of the fiscal year from a short-term perspective.

General Fund
The fund balance of the Academy's General Fund increased by 15.8 percent. The increase in fund balance is attributable to the increase in revenue being slightly greater than the increase in expenses, therefore the General Fund ending balance grew by a similar net change compared to 2025.

The overall fund balance at the end of June 30, 2026, represented approximately 70.9 percent of operating expenditures. Within fund balance, approximately 71 percent of the balance is considered unassigned. The remaining 29 percent is considered either nonspendable prepaid items or assigned for the subsequent year's budget appropriations of fund balance and is not readily available for use.

Capital Assets

At June 30, 2026, the Academy had $1,079,581 invested in capital assets. The net capital asset amount represents a net increase, including additions, deletions, and depreciation/amortization, of $2,990 from last year, or 0.3 percent.

Capital Assets, Net of Depreciation/Amortization

	2026	2025	Total Percentage Change
Land	$ 133,373	$ 133,373	- %
Construction in progress	-	7,574	(100.0)
Buildings and improvements	900,089	873,666	3.0
Machinery and equipment	11,995	16,792	(28.6)
Right-to-use—equipment	3,558	7,827	(54.5)
Transportation equipment	30,566	37,359	(18.2)
Total capital assets, net	**$ 1,079,581**	**$ 1,076,591**	0.3 %

Capital asset additions in 2026 totaling $80,985, less depreciation/amortization of $70,421, less disposals of $7,574 net of depreciation, lead to a net increase of $2,990. Additions include cost toward a HVAC Air Chiller. Disposals included the disposal of architectural fees relating to a new early childhood center. The Academy is no longer pursuing a new early childhood center.

Long-term obligations

Overall, the carrying value of the Academy's long-term obligations decreased by 53.6 percent from the prior year.

Long-Term Obligations

	2026	2025	Total Percentage Change
Lease obligation - equipment	**$ 3,861**	**$ 8,327**	(53.6) %

During the 25/26 fiscal year, the total amount of principal paid was $4,466. The Academy entered its last year of the five-year lease for an office copier.

Currently Known Facts, Decisions, or Conditions

The Academy continues to monitor financial and operational factors that are expected to affect its financial position during the 2026-27 fiscal year and beyond.

- Kalamazoo Prep Academy operates as a tuition-free, year-round alternative charter high school serving students between the ages of 15 and 22 through a blended-learning instructional model. The Academy relies primarily on State School Aid foundation payments and Section 31a At-Risk funding to support educational programs and daily operations. Student enrollment remains a significant factor affecting the Academy's financial condition, as changes in pupil membership directly influence state funding allocations. Management continues to monitor student enrollment, attendance, and academic progress throughout the school year to maintain operational stability and support the effective allocation of available financial resources.

- The Academy's Board of Directors adopted an operating budget that anticipates the use of available fund balance to support educational programming and operational expenditures. Significant anticipated expenditures include contracted instructional personnel, compensatory education services, student counseling and social work support, and updated curriculum and instructional materials. Management continues to evaluate these expenditures throughout the fiscal year and anticipates making budget amendments, as necessary, to address changes in enrollment, funding levels, and operational requirements. These efforts are intended to maintain financial stability while supporting the Academy's educational objectives.

- In September 2026, the Academy completed the acquisition of three properties for a total purchase price of approximately $3,000,000. The acquisition was financed primarily through a new loan agreement with PNC Bank, N.A., totaling $2,736,000. The property acquisitions represent a significant investment in the Academy's facilities and resulted in additional long-term debt obligations. These transactions are expected to affect the Academy's future financial position through increased capital assets, outstanding debt, and associated debt service requirements.

- The Academy operates under a public school charter authorized by Grand Valley State University (GVSU) and maintains an educational management agreement with Reimagine Education, LLC. Under these arrangements, the Academy incurs ongoing expenditures associated with authorizer oversight fees and contracted educational management services. Management continues to coordinate with these organizations to maintain compliance with applicable requirements and support the Academy's financial operations. Attention is given to cash flow requirements during the beginning of the fiscal year, when operating expenditures are incurred before the commencement of the State's eleven-month school aid payment schedule.

Requests for Information

This financial report is designed to provide the Academy's citizens, taxpayers, parents, students, investors and creditors with a general overview of the Academy's finances, and to show how the Academy is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the School Leader, Kalamazoo Prep Academy, 400 W. Crosstown Parkway, Kalamazoo, MI 49001, telephone number (269) 226-2100.

Kalamazoo Prep Academy
STATEMENT OF NET POSITION
June 30, 2026

	Governmental activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 749,341
Investments	764,090
Due from other governmental units	446,372
Prepaid items	135,532
Total current assets	2,095,335
Noncurrent assets	
Capital assets, net	
Nondepreciable/nonamortizable	133,373
Depreciable/amortizable	946,208
Total noncurrent assets	1,079,581
Total assets	3,174,916
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	166,607
Unearned revenue	82,389
Other obligations, due within one year	3,861
Total current liabilities	252,857
NET POSITION	
Net investment in capital assets	1,075,720
Unrestricted	1,846,339
Total net position	**$ 2,922,059**

The accompanying notes are an integral part of this statement.

Kalamazoo Prep Academy
STATEMENT OF ACTIVITIES
For the year ended June 30, 2026

Functions/Programs	Expenses	Program Revenue: Operating grants and contributions	Net (Expense) Revenue and Changes in Net Position: Governmental activities
Governmental activities			
Instruction	$ 1,099,403	$ 543,540	$ (555,863)
Support services	1,435,944	48,335	(1,387,609)
Community services	60,597	120,641	60,044
Interest on long-term debt	252	-	(252)
Total governmental activities	**$ 2,596,196**	**$ 712,516**	(1,883,680)
General revenues			
Grants and contributions not restricted to specific programs			2,108,756
Investment earnings			29,243
Miscellaneous			5,450
Total general revenues			2,143,449
Change in net position			259,769
Net position at beginning of year			2,662,290
Net position at end of year			**$ 2,922,059**

The accompanying notes are an integral part of this statement.

Kalamazoo Prep Academy
BALANCE SHEET
Governmental Funds
June 30, 2026

	General Fund
ASSETS	
Cash and cash equivalents	$ 749,341
Investments	764,090
Due from other governmental units	446,372
Prepaid items	135,532
Total assets	**$ 2,095,335**
LIABILITIES	
Accounts payable	$ 26,508
Accrued liabilities	140,099
Unearned revenue	82,389
Total liabilities	248,996
FUND BALANCE	
Nonspendable - prepaid items	135,532
Assigned to subsequent year's budget appropriations	394,780
Unassigned	1,316,027
Total fund balance	1,846,339
Total liabilities and fund balance	**$ 2,095,335**

The accompanying notes are an integral part of this statement.

Kalamazoo Prep Academy
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2026

Total fund balance—governmental funds		$ 1,846,339
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.		
Cost of capital assets	$ 1,510,302	
Accumulated depreciation/amortization	(430,721)	1,079,581
Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		(3,861)
Net position of governmental activities		**$ 2,922,059**

The accompanying notes are an integral part of this statement.

Kalamazoo Prep Academy
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2026

	General Fund
REVENUES	
Local sources	
Investment earnings	$ 29,243
Contributions	27,000
Other	237,738
Total local sources	293,981
State sources	2,486,190
Federal sources	75,794
Total revenues	2,855,965
EXPENDITURES	
Current	
Instruction	1,036,024
Support services	1,421,328
Community services	60,597
Debt service	
Principal	4,466
Interest and other charges	252
Capital outlay	80,985
Total expenditures	2,603,652
Net change in fund balance	252,313
Fund balance at beginning of year	1,594,026
Fund balance at end of year	**$ 1,846,339**

The accompanying notes are an integral part of this statement.

Kalamazoo Prep Academy

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

For the year ended June 30, 2026

Net change in fund balances—total governmental funds		$ 252,313
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated/amortized over their estimated useful lives or lease term if shorter.		
Depreciation/amortization expense	$ (70,421)	
Capital outlay	80,985	10,564
Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale or impairment of capital assets.		(7,574)
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.		4,466
Change in net position of governmental activities		**$ 259,769**

The accompanying notes are an integral part of this statement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity
The School is governed by an appointed seven member Board of Directors (Board), which has responsibility and control over all activities related to public school education within the School. The School receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities.

Generally accepted accounting principles require that if the School is considered to be financially accountable for other organizations, those organizations should be included as component units in the School's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements
The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the School. All fiduciary activities are reported only in the fund financial statements, if any. Governmental activities normally are supported by intergovernmental revenues and other nonexchange transactions.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

The fund financial statements provide information about the School's funds. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

State and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to Schools based on information supplied by the Schools. For the current fiscal year, the foundation allowance was based on pupil membership counts taken in October and February.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-PRE property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

The School also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The School's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the School are reported at fair value (generally based on quoted market prices). Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School intends to hold the investment until maturity.

State statutes authorize the School to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School is also authorized to invest in U. S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School's deposits and investments are in accordance with statutory authority.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of one year.

As the School constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Capital Assets—Continued

Land and construction in progress are not depreciated. Right-to-use assets of the School are amortized using the straight-line method over the shorter of the lease period or estimated useful lives. The remaining capital asset classes of the School are depreciated/amortized using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Years
Buildings and improvements	10-50
Machinery and equipment	5-10
Right-to-use—equipment	5
Vehicles	6

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year in which they are incurred.

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

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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Fund Balance Flow Assumptions
Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies
Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the School that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the School for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Leases
Lessee: The School is a lessee for a noncancellable lease of equipment. The School recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

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

The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School is reasonably certain to exercise.

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

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

Revenues and Expenditures/Expenses

Program Revenues
Amounts reported as 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted state aid, interest and other internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE B—DEPOSITS AND INVESTMENTS

As of June 30, 2026, the School had the following investments:

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's rating	Percent
MILAF External Investment pool - MAX Class	**$ 764,090**	51	AAAm	**100%**

Interest rate risk
The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE B—DEPOSITS AND INVESTMENTS—Continued

Credit risk
State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School has no investment policy that would further limit its investment choices.

Concentration of credit risk
The School does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the School investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits
In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to it. As of June 30, 2026, $508,325 of the School's bank balance of $758,325 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments
The School does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk
The School is not authorized to invest in investments which have this type of risk.

Fair value measurement
The School District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the School District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. MILAF is not regulated nor is it registered with the SEC. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF External Investment pool - MAX Class	**$ 764,090**

NOTE C—CAPITAL ASSETS

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

	Balance July 1, 2025	Additions	Deductions	Balance June 30, 2026
Capital assets, not being depreciated/amortized:				
Land	$ 133,373	$ -	$ -	$ 133,373
Construction in progress	7,574	-	7,574	-
Total capital assets, not being depreciated/amortized	140,947	-	7,574	133,373
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,206,989	80,985	-	1,287,974
Machinery and equipment	26,852	-	-	26,852
Right-to-use—equipment	21,348	-	-	21,348
Vehicles	40,755	-	-	40,755
Total capital assets, being depreciated/amortized	1,295,944	80,985	-	1,376,929
Less accumulated depreciation/amortization:				
Buildings and improvements	333,323	54,562	-	387,885
Machinery and equipment	10,060	4,797	-	14,857
Right-to-use—equipment	13,521	4,269	-	17,790
Vehicles	3,396	6,793	-	10,189
Total accumulated depreciation/amortization:	360,300	70,421	-	430,721
Total capital assets, being depreciated/amortized, net	935,644	10,564	-	946,208
Capital assets, net	**$ 1,076,591**	**$ 10,564**	**$ 7,574**	**$ 1,079,581**

Depreciation/amortization
Depreciation/amortization expense has been charged to functions as follows:

Instruction	$ 63,379
Support services	7,042
	$ 70,421

NOTE D—LONG-TERM OBLIGATIONS

The School issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment.

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

	Balance July 1, 2025	Additions	Reductions	Balance June 30, 2026	Due within one year
Governmental activities					
Lease obligation - equipment	$ 8,327	$ -	$ 4,466	$ 3,861	$ 3,861
	$ 8,327	**$ -**	**$ 4,466**	**$ 3,861**	**$ 3,861**

NOTE E—LEASES

The School leases the right-to-use assets from various third parties. These assets include copy equipment under lease agreements. Payments on leases are generally fixed annual amounts. The lease term is 5 years and has a discount rate of 4 percent.

Right-to-use leased equipment assets are included in Note C. Lease obligations are included in Note D.

The annual requirements of principal and interest to amortize the lease obligations outstanding as of June 30, 2026 as follows:

Year ending June 30,	Leases	
	Principal	Interest
2027	**$ 3,861**	**$ 71**

NOTE F—CONTINGENCIES

Grant Programs

The School participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

NOTE G—OTHER INFORMATION

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2026 or any of the prior three years.

Employee Services Agreement

The School leases its employees from an employee leasing company and is not required to have these School employees covered by MPSERS. Expenditures for employee costs such as salaries and wages, payroll taxes, and benefits under the management services agreements have been recorded and reported in conformance with the State of Michigan's standard chart of accounts.

Management Agreement

The School entered into a management agreement with Reimagine Education, LLC, effective July 1, 2025, to provide educational and administrative services. The agreement was renewed and expires on June 30, 2029. For the year ended June 30, 2026, the Reimagine Education, LLC service fees totaled $380,804.

NOTE H—SUBSEQUENT EVENT

In September 2026, the School completed the purchase of three properties for approximately $3,000,000. The acquisition was financed primarily through a new loan agreement of $2,736,000 with PNC Bank, N.A..

NOTE I—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2026, the School implemented GASB Statement 103—*Financial Reporting Model Improvements*. The standard addressed the following areas:

Management's discussion and analysis (MD&A)

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

REQUIRED SUPPLEMENTARY INFORMATION

Kalamazoo Prep Academy
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2026

	Budgeted amounts		Variance with original and final budget	Actual	Variance with final budget and actual
	Original	Final			
REVENUES					
Local sources	$ 227,828	$ 263,415	$ 35,587	$ 293,981	$ 30,566
State sources	2,125,740	2,561,144	435,404	2,486,190	(74,954)
Federal sources	61,902	76,510	14,608	75,794	(716)
Total revenues	2,415,470	2,901,069	485,599	2,855,965	(45,104)
EXPENDITURES					
Instruction					
Basic programs	600,771	622,399	21,628	600,769	21,630
Added needs	445,060	489,570	44,510	435,255	54,315
Support services					
Pupil	95,485	104,948	9,463	91,791	13,157
Instructional staff	-	2,500	2,500	1,792	708
General administration	449,936	572,493	122,557	545,716	26,777
School administration	278,036	433,133	155,097	387,670	45,463
Business	300	500	200	331	169
Operations and maintenance	257,685	345,041	87,356	263,301	81,740
Pupil transportation services	56,000	20,500	(35,500)	16,164	4,336
Central	75,000	125,000	50,000	114,563	10,437
Community services	26,797	65,981	39,184	60,597	5,384
Debt services					
Principal repayment	-	-	-	4,466	(4,466)
Interest	-	-	-	252	(252)
Capital outlay	80,846	108,333	27,487	80,985	27,348
Total expenditures	2,365,916	2,890,398	524,482	2,603,652	286,746
Excess (deficiency) of revenues over (under) expenditures	**$ 49,554**	**$ 10,671**	**$ (38,883)**	252,313	**$ 241,642**
Fund balance at beginning of year				1,594,026	
Fund balance at end of year				**$ 1,846,339**	

Kalamazoo Prep Academy
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2026

NOTE A—BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at year end. The School District does not utilize encumbrance accounting.

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

1. The School Leader submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Directors resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund or special revenue major funds are noted in the required supplementary information section.
4. Formal budgetary integration is employed as a management control device during the year.
5. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2026.

Kalamazoo Prep Academy
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2026

NOTE B—BUDGETARY COMPARISONS

Significant variances between original and final budget for General Fund:

	Variance	Explanation
REVENUES		
Local source	$ 35,587	When the original budget was adopted the School did not anticipate a $20,000 grant from GVSU. Once the School received notice of this award, the School amended their budget upwards to reflect this available funding source.
State sources	435,404	The original budget anticipated similar funds received from prior year. The School amended their budget to reflect higher final state aid appropriations due to updated student enrollment counts and additional State of Michigan categorical grant allocations. The School's amendment accounted for additional funds for At Risk, 27I Educator Compensation, and increase in per pupil allowance.
EXPENDITURES		
Instruction - Added needs	44,510	The original budget was established with anticipation of a significant increase in cost for staff salaries and benefits. The School amended for additional service and salary costs because the School changed service providers to Reimagine Education after the original budget was adopted.
Support services - General administration	122,557	The original budget anticipated a similar cost for the School's audit fees, legal fees and management services fees. The School amended for additional management services fees because the School changed service providers to Reimagine Education after the original budget was adopted.
Support services - School administration	155,097	The original budget anticipated a reduction in cost for the admin's salaries, benefits and workshops. The School amended for additional service and salary costs because the School changed service providers to Reimagine Education after the original budget was adopted.
Support services - Operations and maintenance	87,356	The original budget anticipated a similar cost for the School's repairs, equipment purchases and office supplies. The School amended to reflect additional building repairs, equipment purchases, office supplies and supplies to replace the old logo.
Support services - Pupil transportation services	(35,500)	The original budget anticipated a similar cost for the School's purchase of bus passes for students. The School amended to reflect the removal of purchasing bus passes for students.
Central	50,000	The original budget was amended to reflect additional online-based curriculum costs as a result of changing educational service providers.
Community Services	39,184	The original budget was established with anticipation of similar cost of staff's salaries and benefits for Title I, II, and IV. The School amended to reflect additional 1.5 FTEs.

Kalamazoo Prep Academy
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2026

NOTE B—BUDGETARY COMPARISONS—Continued

Significant variances between final budget and actual for General Fund:

	Variance	Explanation
REVENUES		
Local sources	$ 30,566	A donation from Okun foundation of $27,000 was received by the School that was not budgeted for.
EXPENDITURES		
Instruction - Added needs	54,315	The School anticipated a higher increase in cost for staff's salaries and benefits due to the School switch of service provider during the fiscal year.
Support services - School administration	45,463	The School anticipated a higher increase in cost for staff's salaries and benefits due to the School switch of service provider during the fiscal year.
Support service - Operations and maintenance	81,740	Actual building cameras and fire suppression purchases were under the budget amount that the School anticipated.
Capital outlay	27,348	The School anticipated repairs to be close to the quote amount of $101,000. The final balance for the repairs ended up being $81,000.