

KNAPP CHARTER ACADEMY

Financial Statements and Additional Information as of and for the Year Ended June 30, 2026, and Independent Auditors' Report

NATIONAL HERITAGE ACADEMIES™

KNAPP CHARTER ACADEMY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1–3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4–9
BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2026:	
Academy-Wide Financial Statements (Governmental Activities):	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet — Governmental Funds and the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds and the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14–17
REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2026:	18
Budgetary Comparison Schedules:	
General Fund	19
Notes to Required Supplementary Information	20-22
ADDITIONAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2026:	23
Statement of Revenues — General Fund	24
INTERNAL CONTROL AND COMPLIANCE	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	25-26

Rehmann

INDEPENDENT AUDITORS' REPORT

October 29, 2026

Board of Directors
Knapp Charter Academy
Grand Rapids, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of ***Knapp Charter Academy*** (the "Academy"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Academy, as of June 30, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Implementation of GASB Statement No. 103

The Academy implemented the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements,* in the current year. Our opinion is not modified with respect to this matter.

HLB We are an independent member of THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

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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.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the budgetary comparisons for the general fund, 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 29, 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.

Rehmann Lohan LLC

KNAPP CHARTER ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2026

This section of the annual financial report for Knapp Charter Academy (the "Academy") provides an overview of the Academy's financial activities as of and for the fiscal year ended June 30, 2026. It should be read in conjunction with the financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's only fund, the General Fund.

Management's Discussion and Analysis
(Required Supplementary Information)

Basic Financial Statements

Academy-wide Financial Statements Fund Financial Statements

Notes to Basic Financial Statements

(Required Supplementary Information)
Budgetary Information for the Governmental Funds

(Additional Information)
Statement of Revenues — General Fund

Reporting the Academy as a whole — Academy-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

The Academy's Statement of Net Position — the difference between assets and liabilities, as reported in the Statement of Net Position — is one way to measure the Academy's financial position. The relationship between revenues and expenses is the Academy's operating results. The Academy's goal is to provide services to our students, not to generate profits as private sector companies do. One must consider nonfinancial factors, such as the quality of the education provided and the safety of the Academy, to assess the overall health of the Academy.

The Statement of Net Position and the Statement of Activities report the activities of the Academy, all of which are classified as governmental. These activities encompass all the Academy's services, including instruction, support services, and community services. State aid (based on student count) and state and federal grants finance most of these activities. The Academy has entered into a services agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

Reporting the Academy's Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds — not the Academy as a whole. Some funds are required to be established by state law. The governmental funds of the Academy use the following accounting approach:

Governmental Funds — All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting. Only those revenues that are "measurable" and "currently available" are reported. Liabilities are recognized when incurred. The governmental fund statements provide a short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations presented as part of the statements.

Financial Summary and Detailed Analysis

Recall that the Statement of Net Position provides the perspective of the Academy as a whole. The table below provides a summary of the Academy's net position as of June 30:

	2026	2025	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Assets - current	$ 1,099,864	$ 1,166,877	$ (67,013)	-5.7%
Liabilities - current	900,860	968,802	(67,942)	-7.0%
Net position:				
Unrestricted	199,004	198,075	929	0.5%
Total net position	$ 199,004	$ 198,075	$ 929	0.5%

The unrestricted net position of governmental activities represents the accumulated results of life-to-date operations. These assets can be used to finance day-to-day operations without constraints, such as legislative or legal requirements. The results of the current-year operations for the Academy as a whole are reported in the Statement of Activities, which shows the change in net position.

Assets decreased by $67,013 primarily due to the timing of federal grant revenue and receipts, which caused receivable balances to be lower than the previous year. Liabilities also decreased by $67,942 primarily due to the timing of grant receivables, which reduced the amount of contracted service fee payable to NHA.

The results of operations for the Academy as a whole are reported in the summarized Statements of Activities (below) which show the changes in net position for the fiscal years ended June 30:

	2026	2025	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Revenues:				
State aid	$ 4,007,285	$ 4,141,863	$ (134,578)	-3.2%
Operating grants	1,273,332	2,048,138	(774,806)	-37.8%
Private sources - NHA	639,353	435,400	203,953	46.8%
Total revenues	5,919,970	6,625,401	(705,431)	-10.6%
Expenses—				
Contracted service fee:				
Instruction	1,929,316	3,016,429	(1,087,113)	-36.0%
Support services	3,071,527	3,616,591	(545,064)	-15.1%
Instruction	544,447	-	544,447	100%
Support services	359,617	-	359,617	100%
Community services	14,134	-	14,134	100%
Total expenses	5,919,041	6,633,020	(713,979)	-10.8%
Change in net position	929	(7,619)	8,548	-112.2%
Net position - beginning of year	198,075	205,694	(7,619)	-3.7%
Net position - end of year	$ 199,004	$ 198,075	$ 929	0.5%

As reported in the Statement of Activities, the cost of governmental activities was $5,919,041. These activities were primarily funded by the Academy's state aid (based on student count) and governments and organizations that subsidized certain programs with grants.

Total revenues and expenditures decreased by $705,431 and $728,113, respectively, from the previous year. This decrease is primarily due to reductions in federal grant awards and related spending. The 2024-25 fiscal year was the final year COVID-19 funding was available to be spent by the Academy, particularly the Education and Secondary School Emergency Relief Fund (ESSER III), of which about $482,000 was spent in the prior year. The remaining decrease is driven by lower per-pupil state aid in 2026 compared to 2025.

The Academy experienced an increase in net position of $929 in 2026. Under the terms of the agreement with NHA, NHA provides a spending account to the board of directors for discretionary expenses. The primary reason for the change in net position is the timing of these discretionary expenses.

A reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities appears on page 12.

Detailed Analysis of Governmental Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes or as required by state law. Looking at funds helps the reader to consider whether the

Academy is being accountable for the resources that the State and others provide to it and may provide more insight into the Academy's overall financial health.

The Academy reports one major fund, the General Fund, in the governmental fund financial statements. Most of the discussion related to governmental activities is equally applicable to the finances of the General Fund. The change in the General Fund balance is outlined below:

	2026	2025
Revenues	$ 5,928,894	$ 6,718,926
Expenditures	5,927,965	6,726,545
Net change in fund balance	929	(7,619)
Fund balance - beginning of year	198,075	205,694
Fund balance - end of year	$ 199,004	$ 198,075

The Academy's instruction and support services activities are reported in the General Fund. The Academy's fund balance was $199,004 at June 30, 2026.

A reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position appears on page 11.

Currently Known Facts, Decisions, or Conditions

Our officials and administration consider many factors when setting the Academy's 2027 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2026-27 fiscal year is expected to be 90% and 10% of the October 2026 and February 2026 counts, respectively. The 2027 budget was adopted in May 2026. Approximately 76% of total General Fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2027 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2027 budget. Once the final student count and related per pupil funding are validated, state law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's school aid fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to public school academies. The State periodically holds a revenue-estimating conference to estimate revenues. If the State estimates funds are not sufficient to fund the appropriation, the legislature must revise the appropriation or proration of state aid will occur.

Contacting the Academy's Financial Management

The financial report is designed to provide users of the report 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, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE, Suite 201; Grand Rapids, Michigan 49512.

KNAPP CHARTER ACADEMY

STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2026

	Governmental Activities
ASSETS	
CURRENT ASSETS:	
Cash	$ 205,226
Due from governmental revenue sources	894,638
TOTAL	$ 1,099,864
LIABILITIES AND NET POSITION	
LIABILITIES:	
Unearned revenue	$ 673,044
Accounts payable	5,835
Contracted service fee payable	221,981
Total liabilities	900,860
NET POSITION:	
Unrestricted	199,004
TOTAL	$ 1,099,864

See notes to financial statements.

KNAPP CHARTER ACADEMY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Governmental Activities Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS —				
Contracted service fee:				
Instruction	$ 1,929,316	$ -	$ -	$ (1,929,316)
Support services	3,071,171	-	-	(3,071,171)
Community services	356	-	-	(356)
Instruction	544,447	-	588,285	43,838
Support services	359,617	-	685,047	325,430
Community services	14,134	-	-	(14,134)
Total governmental activities	$ 5,919,041	$ -	$ 1,273,332	(4,645,709)
GENERAL PURPOSE REVENUES:				
State aid unrestricted				4,007,285
Private sources - NHA				639,353
Total general purpose revenue				4,646,638
CHANGE IN NET POSITION				929
NET POSITION:				
Beginning of year				198,075
End of year				$ 199,004

See notes to financial statements.

KNAPP CHARTER ACADEMY

BALANCE SHEET - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

	Total Governmental Funds
ASSETS	
Cash	$ 205,226
Due from governmental revenue sources	873,863
TOTAL	$ 1,079,089
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Unearned revenue	$ 652,269
Accounts payable	5,835
Contracted service fee payable	209,512
Total liabilities	867,616
DEFERRED INFLOWS OF RESOURCES:	
Unavailable revenue	12,469
Total liabilities and deferred inflows of resources	880,085
FUND BALANCE:	
Committed	23,781
Unassigned	175,223
Total fund balance	199,004
TOTAL	$ 1,079,089
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	
Total governmental fund balance	$ 199,004
Due from governmental revenue sources not available to pay current period expenditures therefore deferred in the funds	12,469
Contracted service fee payable not due and payable in the current period and not reported in the funds	(12,469)
Net position of governmental activities	$ 199,004

See notes to financial statements.

KNAPP CHARTER ACADEMY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

	Total Governmental Funds
REVENUES:	
State aid	$ 4,007,285
Other state sources	654,063
Federal sources	390,622
Private sources	33,049
Local sources	204,522
Private sources - NHA	639,353
Total revenues	5,928,894
EXPENDITURES:	
Contracted service fee:	
Instruction	1,929,314
Support services	3,080,096
Community services	356
Total contracted service fee	5,009,766
Instruction	544,447
Support services	359,974
Community services	13,778
Total expenditures	5,927,965
NET CHANGE IN FUND BALANCE	929
FUND BALANCE — Beginning of year	198,075
FUND BALANCE — End of year	$ 199,004
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	
Net change in fund balance — total governmental funds	$ 929
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	12,469
Revenue reported in the governmental funds as available and measurable — reported in the statement of activities in prior years	(21,394)
Contracted service fee recognized consistent with the revenue policy	8,925
Change in net position of governmental activities	$ 929

See notes to financial statements.

1. NATURE OF OPERATIONS

Knapp Charter Academy (the "Academy") is a Michigan Public School Academy that provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy provides education, at no cost to the parent, to students in kindergarten through eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The Academy operates under a charter contract approved by Grand Valley State University, which is responsible for oversight of the Academy's operations. The charter contract expires June 30, 2029 and is subject to renewal. Grand Valley State University Board of Trustees receives three percent of state aid funds as an administrative fee. The total administrative fee for year ended June 30, 2026, paid to the Grand Valley State University Board of Trustees was $117,651.

The Academy is exempt from taxation as a governmental entity pursuant to Internal Revenue Code Section 115. The Academy qualifies for public charity status by meeting the requirements of Internal Revenue Code Sections 509(1) and 170(b)(1)(A)(ii).

The Academy's primary source of revenue is provided by the State of Michigan and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and is funded through payments from October 2025 through August 2026.

The Board of Directors of the Academy has entered into a services agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will continue until the termination or expiration of the charter contract, up to a maximum of five years, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Academy-Wide and Fund Financial Statements — The Academy-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 primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Academy's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Fund Based Statements — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The contracted service fee to NHA is recorded consistent with the recognition of revenue.

When an expense is incurred for purposes for which both restricted and unrestricted net position, or fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order: committed, assigned and unassigned.

Fund Classification — The financial activities of the Academy are organized on the basis of funds. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

General Fund — The General Fund is used to account for the general educational programs of the Academy. Its revenues are derived primarily from the State of Michigan.

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Cash — At June 30, 2026, the Academy had deposits with a bank balance of $205,226, all of which was insured and collateralized by federal depository insurance. The book balance of

these deposits was $205,226 at June 30, 2026. The Academy does not have a deposit policy for custodial risk, as it typically does not anticipate holding uninsured deposits based on the nature of its management agreement with NHA.

Unavailable and Unearned Revenue — Unavailable revenues are reported in governmental funds in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Unearned revenue is reported in both governmental funds and governmental activities in connection with funds that have been received for services which have not been performed and is therefore not yet earned. As of June 30, 2026, a deferred inflow for unavailable revenue was recognized in the balance sheet for governmental funds in the amount of $12,469 and a liability for unearned revenue was on the balance sheet for governmental funds and the Academy-wide statement of net position in the amount of $673,044.

Contracted Service Fee Payable — Contracted service fee payable as of June 30, 2026 represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the agreement.

Fund Balance — Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned. The terms nonspendable and restricted are used either to indicate that certain assets do not represent spendable resources available for general educational programs or to earmark a portion of fund balance as legally segregated for a specific future use. The term committed represents amounts that can only be used for the specific purpose determined by a formal resolution of the board. The term assigned is used to classify the fund balance intended to be used by the board, but does not meet the criteria to be restricted or committed. The term unassigned is used for amounts that have not been restricted, committed, or otherwise assigned for future uses. At June 30, 2026, the Academy had $23,781 in committed fund balance and $175,223 in unassigned fund balance. The committed fund balance has been committed by resolutions of the Board of Directors for student, parent and staff appreciation, athletics, and board training and development.

During the year the Academy incurred expenditures in the General Fund which were in excess of budgeted amounts in the following categories:

	Final Amended Budget	Actual	Over (Under) Final Budget
Instruction:			
Basic Instruction	1,663,238	1,684,362	21,124
Support Services:			
Instructional Staff Services	460,912	486,276	25,364
Business & Internal Services	105,227	106,908	1,681
Community Services:			
Community Activities	5,863	14,124	8,261

In total, expenditures were $87,533 less than the final budget.

Adoption of New Accounting Pronouncement – During the current year, the Academy adopted GASB Statement No. 103, *Financial Reporting Model Improvements.* The new accounting standard impacted the disclosure requirements and organization of management's discussion and analysis and budgetary comparison disclosures in the required supplementary information. The implementation of this standard did not have a significant impact on the Academy's financial statements.

3. DUE FROM GOVERNMENTAL REVENUE SOURCES

Receivables as of June 30, 2026 for the Academy included $741,051 in state aid receivable, $119,196 in other state sources, and $34,391 in federal grants receivable. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

4. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2026, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

5. CONTINGENCIES

The Academy has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

6. LEASE

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2025 through June 30, 2026. Annual rental payments required by the lease are $689,760 payable in twelve monthly payments of $57,480. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the Academy or NHA. The lease agreement can be cancelled upon termination of the NHA services agreement.

The Academy is not a party to any leasing arrangements that meet the criteria for recognition of lease assets or liabilities under GASB Statement No. 87, *Leases* based on the noncancellable period being less than 12 months and applicability of the short-term lease exception for the facility lease agreement

The Academy subsequently renewed the sublease with NHA for the period of July 1, 2026 through June 30, 2027, at an annual amount of $689,760.

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REQUIRED SUPPLEMENTARY INFORMATION

KNAPP CHARTER ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2026

	Original Budget	Final Amended Budget	Over (Under) Original Budget	Actual	Over (Under) Final Budget
REVENUES:					
State Aid	$ 3,758,878	$ 4,013,000	$ 254,122	$ 4,007,285	$ (5,715)
Other State Sources	874,403	655,206	(219,197)	654,063	(1,143)
Local Sources	275,000	229,800	(45,200)	204,522	(25,278)
Federal Sources	487,829	413,201	(74,628)	390,622	(22,579)
Private Sources	2,180	19,689	17,509	33,049	13,360
Private sources - NHA	599,123	679,093	79,970	639,353	(39,740)
Total Revenues	5,997,413	6,009,989	12,576	5,928,894	(81,095)
EXPENDITURES:					
Instruction:					
Basic Instruction	1,537,763	1,663,238	125,475	1,684,361	21,123
Added Needs	999,753	796,243	(203,510)	789,400	(6,843)
Support Services:					
Pupil Services	507,784	463,880	(43,904)	420,910	(42,970)
Instructional Staff Services	598,781	460,912	(137,869)	486,276	25,364
General Administration	284,008	301,634	17,626	288,064	(13,570)
School Administration	542,488	688,334	145,846	680,568	(7,766)
Business & Internal Services	108,397	105,227	(3,170)	106,908	1,681
Central Services	176,702	212,287	35,585	163,116	(49,171)
Pupil Transportation Services	34,884	25,913	(8,971)	21,704	(4,209)
Other Support Services	10	30,013	30,003	22,996	(7,017)
Operations & Maintenance	1,188,502	1,261,444	72,942	1,249,528	(11,916)
Community Services:					
Community Activities	15,284	5,863	(9,421)	14,124	8,261
Welfare Activities	3,057	510	(2,547)	10	(500)
Total Expenditures	5,997,413	6,015,498	18,085	5,927,965	(87,533)
NET CHANGE IN FUND BALANCE	-	(5,509)	(5,509)	929	6,438
FUND BALANCE - Beginning of year	198,075	198,075	-	198,075	-
FUND BALANCE - End of year	$ 198,075	$ 192,566	$ (5,509)	$ 199,004	$ 6,438

See notes to required supplementary information

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Academy does not utilize encumbrance accounting.

The Academy adheres to the following procedures in establishing budgetary data reflected in the financial statements:

- Prior to June 30, management submits to the board of directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means for financing them. All budgets lapse at year-end.
- By June 30, the budget is adopted by the board of directors.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the board of directors.

Over the course of the year, the Academy revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

Budgeted revenues for the General Fund were increased by $12,576 from the original budget. Budgeted expenditures for the General Fund were increased by $18,085. This change was to reflect the change in anticipated funding. Significant variances between the final budget and actual amounts are disclosed in the notes to the required supplementary information (refer to Note 2).

During the year the Academy incurred expenditures in the General Fund which were in excess of budgeted amounts in the following categories:

	Final Amended Budget	Actual	Over (Under) Final Budget
Instruction:			
Basic Instruction	1,663,238	1,684,362	21,124
Support Services:			
Instructional Staff Services	460,912	486,276	25,364
Business & Internal Services	105,227	106,908	1,681
Community Services:			
Community Activities	5,863	14,124	8,261

In total, expenditures were $87,533 less than the final budget.

2. BUDGETARY COMPARISON

Significant variances between final and original budget:

	Variance	Explanation
REVENUES:		
State Aid	$ 254,122	The initial budget assumed 371 FTE at a per-pupil rate of $10,127. The Final Amended budget reflects 394 FTE at a per-pupil rate of $10,050 plus prior-year adjustments of $56,191.
Other State Sources	(219,197)	This is driven by changes in MI31a and State Literacy Grant investment planning.
EXPENDITURES:		
Instruction:		
Basic Instruction	125,475	This is driven by the addition of 1.5 general teacher FTE.
Added Needs	(203,510)	This is driven by a reduction of 1.0 FTE EL paraprofessionals, .5 FTE SPED teachers, .875 FTE SPED paraprofessionals, and 1.0 FTE at-risk teachers.
Support Services:		
Instructional Staff Services	(137,869)	This is driven by vacancies in grant-funded academic intervention coach positions.
School Administration	145,846	This is driven by higher than anticipated costs due to changes in marketing & recruitment strategy.

There were no significant variances between actual results and the final budget.

ADDITIONAL INFORMATION

KNAPP CHARTER ACADEMY

ADDITIONAL INFORMATION
SCHEDULE OF REVENUES — GENERAL FUND
YEAR ENDED JUNE 30, 2026

State aid	$	4,007,285
Other state sources:		
Special education		100,778
At-risk		522,736
Grants		30,549
Total		654,063
Federal sources — grants		390,622
Private sources — other		33,049
Local sources		204,522
Private sources — NHA		639,353
TOTAL	$	5,928,894

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

October 29, 2026

Board of Directors
Knapp Charter Academy
Grand Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of ***Knapp Charter Academy*** (the "Academy"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 29, 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 a 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.

HLB WE ARE AN INDEPENDENT MEMBER OF THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

Report on Compliance and Other Matters

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

Purpose of this Report

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

