ESCUELA AVANCEMOS!

(A Michigan Public School Academy)

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2026

Detroit, Michigan

ESCUELA AVANCEMOS!
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Independent Auditor's Report

To Management
and the Board of Directors of
Escuela Avancemos!

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2026, on our consideration of Escuela Avancemos!'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Escuela Avancemos!'s internal control over financial reporting and compliance.

Wilkerson & Associate PC

Dearborn, Michigan
October 1, 2026

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

To Management
And The Board of Directors of
Escuela Avancemos!

We have audited, 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, the financial statements of the governmental activities of Escuela Avancemos! as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Escuela Avancemos!'s basic financial statements and have issued our report dated October 1, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered Escuela Avancemos!'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Escuela Avancemos!'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Escuela Avancemos!'s internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Escuela Avancemos!'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 Escuela Avancemos!'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 and compliance, Accordingly, this communication is not suitable for any other purpose.

Wilkerson & Associate PC

Dearborn, Michigan
October 1, 2026

Escuela Avancemos!

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2026

Required Supplementary Information — Unaudited

Our discussion and analysis of Escuela Avancemos! (the "Academy") provides an overview of the Academy's financial activities for the fiscal year ended June 30, 2026, with comparative information for the fiscal year ended June 30, 2025. This discussion and analysis is required supplementary information and should be read in conjunction with the Academy's basic financial statements and the notes to those statements, which follow this section. The analysis focuses on why the amounts reported changed from the prior year, not merely on the amounts by which they changed.

The Academy adopted Governmental Accounting Standards Board Statement No. 103, Financial Reporting Model Improvements, in the current year. Statement 103 changed the required content of this discussion and analysis; it did not change the amounts reported in the basic financial statements. Beginning net position has been restated for two matters described under Analysis of the Academy's financial position.

Overview of the Financial Statements

This annual report consists of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the basic financial statements, and (4) required supplementary information, which includes this discussion and analysis and the budgetary comparison schedule for the General Fund.

Government-wide financial statements

The statement of net position and the statement of activities report information about the Academy as a whole using the economic resources measurement focus and the accrual basis of accounting, similar to a private-sector business. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statement of net position presents all of the Academy's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as one indicator of whether the Academy's financial position is improving or deteriorating.

The Academy reports only governmental activities. It has no business-type activities and no component units.

Fund financial statements

The fund financial statements report the Academy's individual funds. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which focuses on how cash and other financial resources flow into and out of the funds and on the balances remaining at year end that are available for spending. The General Fund is the Academy's only fund.

Relationship between the government-wide and fund financial statements

Because the two sets of statements use different measurement focuses and bases of accounting, the amounts they report for the same activities differ. Reconciliations that explain these differences are presented immediately following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance.

Two reconciling items account for substantially all of the difference this year. Capital assets of $987,035, net of accumulated depreciation and amortization, and lease liabilities of $956,973 are reported in the government-wide statements but not in the fund statements. In the statement of activities, the $340,457 of fixed lease payments made during the year is separated into $286,872 of principal, which reduces the lease liability, and $53,585 of interest expense, whereas the fund statements report the entire amount as a rental expenditure. Grant funds of

$685,860 received but not yet expended are reported as unearned revenue in both sets of statements and are not a reconciling item; the Academy's entitlement to those funds is contingent on incurring allowable costs, so they are a liability under both measurement focuses.

Notes and required supplementary information

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

Financial Summary

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

Table 1 — Condensed Statement of Net Position (Governmental Activities)

	June 30, 2026	June 30, 2025 (as restated)	$ Change	% Change
Current and other assets	$ 2,837,669	$ 2,371,041	466,628	19.7%
Capital assets, net of accumulated depreciation and amortization	987,035	1,035,209	(48,174)	(4.7)%
Total assets	3,824,704	3,406,250	418,454	12.3%
Total deferred outflows of resources	—	—	—	—
Current and other liabilities	1,005,183	676,225	328,958	48.6%
Long-term liabilities	956,973	947,216	9,757	1.0%
Total liabilities	1,962,156	1,623,441	338,715	20.9%
Total deferred inflows of resources	—	—	—	—
Net position:				
Net investment in capital assets	30,062	1,035,209	(1,005,147)	(97.1)%
Restricted	—	—	—	—
Unrestricted	1,832,486	747,600	1,084,886	145.1%
Total net position	**$ 1,862,548**	**$ 1,782,809**	**79,739**	**4.5%**

The Academy reports only governmental activities; no business-type activity or component unit columns are presented.

Table 2 — Condensed Statement of Activities (Governmental Activities)

	Year ended 6/30/2026	Year ended 6/30/2025 (as restated)	$ Change	% Change
Program revenues:				
Charges for services	—	—	—	—
Operating grants and contributions	$ 2,050,778	$ 2,018,929	31,849	1.6%
Capital grants and contributions	—	—	—	—
General revenues:				
State foundation allowance (unrestricted state aid)	4,043,524	4,251,257	(207,733)	(4.9)%
Investment earnings	—	—	—	—

	Year ended 6/30/2026	Year ended 6/30/2025 (as restated)	$ Change	% Change
Other general revenues	130,447	187,496	(57,049)	(30.4)%
Total revenues	6,224,749	6,457,682	(232,933)	(3.6)%
Expenses:				
Instruction	2,573,058	2,183,848	389,210	17.8%
Supporting services	3,173,260	3,599,355	(426,095)	(11.8)%
Community services	304	67,988	(67,684)	(99.6)%
Interest and fiscal charges on long-term obligations	53,585	0	53,585	n/m
Unallocated depreciation and amortization	344,803	19,328	325,475	n/m
Total expenses	6,145,010	5,870,519	274,491	4.7%
Excess before contributions, special items, unusual or infrequent items, and transfers	79,739	587,163	(507,424)	(86.4)%
Unusual or infrequent items	—	—	—	—
Change in net position	79,739	587,163	(507,424)	(86.4)%
Net position — beginning of year (as restated)	1,782,809	1,195,646	587,163	49.1%
Net position — end of year	**$ 1,862,548**	**$ 1,782,809**	**79,739**	**4.5%**

The Academy reported no unusual or infrequent items in either year.

Prior year amounts in Tables 1 and 2 are presented as restated for the correction to the treatment of unexpended state categorical awards described under Analysis of the Academy's financial position and in Note 12. As previously reported, net position at June 30, 2025 was $2,199,824 and the change in net position for the year then ended was $513,975. Unexpended awards were $497,202 at June 30, 2024, $424,013 at June 30, 2025 and $685,860 at June 30, 2026.

Detailed Analyses

Analysis of the Academy's financial position

Total net position increased $79,739, from $1,782,809 as restated to $1,862,548. Beginning net position as previously reported was $2,199,824 and has been restated by a net $417,015 for the two matters described below.

The $79,739 change in net position has three drivers. First, the General Fund produced an operating surplus of $137,670. Second, depreciation and amortization of $369,418 and a $13,468 reduction in the carrying amount of the right-to-use assets reduced net position by $382,886. Third, $286,872 of lease principal repaid during the year, together with a $38,083 reduction in the measured lease liability, added $324,955. Together these three items reconcile the fund result to the government-wide result. The $261,847 growth in unexpended grant awards during the year is not among them; because those awards are a liability under both bases of accounting, the growth reduces the Academy's reported result equally in both sets of statements.

Beginning net position has been restated by a net $417,015, from $2,199,824 to $1,782,809, for two matters. It was increased $6,998 to correct the exclusion of prepaid expenses from net position in the prior year; prepaid expenses are assets under both the accrual and the modified accrual basis, but the prior year reconciliation removed $7,000 of them in arriving at net position. Prepaid expenses of $39,815 are reported in both statements this year with no reconciling item. Beginning net position was decreased $424,013 to correct the treatment of state categorical funds received but not yet expended, which the prior year added back in converting the fund

statements to the government-wide statements. Those funds are a liability under both measurement focuses and are not a reconciling item. Beginning fund balance required no restatement; see the analysis of the General Fund below.

The composition of net position changed substantially, but the movement is a matter of classification rather than of economic substance. Net investment in capital assets fell from $1,035,209 to $30,062 and unrestricted net position rose from $747,600, as restated, to $1,832,486. In the prior year, net investment in capital assets was reported at the gross carrying amount of the capital assets without deducting the lease liabilities that financed them. This year that component is reported net of the related lease debt, as required, leaving only $30,062 of equity in capital assets. The Academy has no restricted net position and no deficit in unrestricted net position.

The Academy also changed the basis on which the building right-to-use asset and liability are measured. The lease with the Archdiocese of Detroit sets rent at ten percent of state aid generated by enrollment, subject to a contractual floor calculated on 250 students. Only the floor is fixed in substance and therefore enters the measurement of the lease liability; rent above the floor varies with the Academy's own enrollment and is recognized as an outflow when incurred. Prior years measured the asset and liability on anticipated enrollment rather than on the floor. Correcting the basis reduced the right-to-use assets by $13,468 and the lease liabilities by $38,083, for a net increase in net position of $24,615. Because the effect on beginning balances was not material, the correction is reported in the current year rather than by restating the prior year.

Analysis of the Academy's results of operations

Total government-wide revenues fell $232,933, from $6,457,682 as restated to $6,224,749, and the composition shifted markedly.

Unrestricted state aid fell $207,733, from $4,251,257 to $4,043,524, entirely because of enrollment. The blended pupil count declined by approximately 40 pupils, from roughly 442 to roughly 402, which reduced foundation allowance revenue by approximately $386,000. That decline was partly offset by the increase in the state minimum foundation allowance from $9,608 to $10,050, which added approximately $178,000. The prior year's discussion anticipated a decline of about six percent; the actual decline was approximately nine percent.

Operating grants and contributions rose $31,849, from $2,018,929 as restated to $2,050,778. The Academy drew $273,223 of previously unused Section 41 bilingual funding and $150,790 of prior year Section 41 funding, in addition to $48,260 of current year Section 41 revenue. Section 31a at-risk funding of $599,765 and the Section 31aa mental health allocation of $146,452 were both received in full. Awards received but not yet expended at year end are not recognized as revenue in either set of statements; the balance of unexpended awards grew $261,847 during the year, from $424,013 to $685,860, which held recognized program revenue well below the amount awarded.

Other general revenues fell $57,049, from $187,496 to $130,447. The largest single item in this category is $168,569 of property tax revenue distributed by Wayne RESA, the intermediate school district, which shares county property tax revenue with all districts located in the county, including public school academies. The category total is lower than that amount because it is net of a $50,000 reduction of Detroit's Children's Fund revenue recorded during the year, which is also the principal reason for the decline from the prior year. The Wayne RESA distribution is not restricted to a specific program and is accordingly reported as a general revenue rather than as program revenue.

Total expenses rose $274,491, from $5,870,519 to $6,145,010, and the change by function reflects both program decisions and a change in how lease costs are presented.

Instruction expense rose $389,210, from $2,183,848 to $2,573,058. The increase is concentrated in staffing funded by categorical awards: $257,817 of Section 41 funded student aides, including $142,027 charged against prior year awards; $219,731 of Title I funded paraprofessionals; and $213,800 of Section 31a funded teacher

salaries. These positions were added to serve the Academy's bilingual and at-risk populations and are funded by the awards described above rather than by unrestricted state aid.

Supporting services expense fell $426,095, from $3,599,355 to $3,173,260. Approximately $340,000 of the decrease is presentational: the fixed portion of the Academy's lease payments is no longer reported as a rental expense in the statement of activities. Those payments are now separated into principal, which reduces the lease liability, and interest, which is reported on its own line, while the related right-to-use assets are amortized within unallocated depreciation and amortization.

Unallocated depreciation and amortization rose from $19,328 to $344,803. The prior year's statement of activities reported depreciation only on the Academy's owned vehicles and equipment and did not reflect amortization of the right-to-use lease assets. This year's figure of $344,803 comprises $369,418 of depreciation and amortization less the $24,615 net effect of the change in lease measurement basis described above.

Community services expense fell $67,684 to $304 because the parent engagement and community programming funded in the prior year was not repeated.

Of the $6,145,010 cost of the Academy's programs, $2,050,778, or 33 percent, was met by operating grants and contributions restricted to particular purposes. The remaining $4,094,232 was funded from unrestricted state aid and other general revenues. State sources provided 90 percent of General Fund revenue and the foundation allowance alone provided 65 percent, so the Academy remains heavily dependent on state funding and on maintaining enrollment.

Analysis of major fund balances and results of operations

The General Fund is the Academy's only fund. Fund balance increased $137,670, from $1,694,816 to $1,832,486, entirely from the excess of revenues over expenditures for the year.

An adjusting entry recorded in the June 30, 2025 audit to increase accounts payable by $16,454 was never posted to the Academy's general ledger. Management has confirmed that the adjustment related to accounts payable originating in the fiscal year ended June 30, 2024. The ledger therefore carried $16,454 more fund balance into the year than the audited statements reported, and the corresponding costs were recorded a second time when the related invoices were paid during the current year. Expenditures have been reduced by $16,454, within general administration services, to remove those prior year costs, so beginning fund balance agrees to the prior year audited statements without restatement. See Note 12.

Ending fund balance comprises $39,815 classified as nonspendable and $1,792,671 classified as unassigned. The nonspendable amount is the Academy's prepaid expenses, which are not in spendable form. Grant awards received but not yet expended are reported as unearned revenue, a liability of the General Fund, and are therefore already excluded from fund balance; no separate restricted classification arises from them. The prior year reported restricted fund balance of $424,013, equal to the deferred revenue balance then recorded; because the liability had already removed those resources from fund balance, that classification counted them twice and has not been repeated. The Academy has no restricted, committed, or assigned fund balance, and no external party, statute, or Board resolution otherwise limits the availability of its resources. The Academy's ability to retain the $609,039 of unexpended Section 31a and Section 41 awards included in unearned revenue is nonetheless conditional: those awards must be expended within the carryover periods described in Note 4, and amounts not expended and reported are returned to the State.

Fund balance represents 30.1 percent of General Fund expenditures, compared with 29.0 percent at the end of the prior year, and substantially all of it is unassigned and available for any purpose. The Academy is not operating under a deficit elimination plan and is not subject to an authorizer-imposed minimum fund balance requirement.

Significant Capital Asset and Long-Term Financing Activity

Table 3 — Capital Assets, Net of Accumulated Depreciation and Amortization

	June 30, 2026	June 30, 2025	$ Change	% Change
Land and construction in progress	$ —	$ —	—	—
Buildings and improvements	—	—	—	—
Furniture, equipment, and technology	0	1,799	(1,799)	(100.0)%
Vehicles	70,116	87,644	(17,528)	(20.0)%
Right-to-use lease assets (GASB 87)	916,919	945,766	(28,847)	(3.1)%
Right-to-use subscription assets (GASB 96)	—	—	—	—
Total capital assets, net	**$ 987,035**	**$ 1,035,209**	**(48,174)**	**(4.7)%**

Net capital assets fell $48,174, from $1,035,209 to $987,035, because depreciation and amortization of $369,418 and the $13,468 measurement adjustment together exceeded the $334,712 of right-to-use assets recognized on the amended modular classroom leases.

The Academy capitalizes assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of five years. It purchased no assets meeting that threshold during the year; the $22,599 of laptops and $8,179 of furniture and non-depreciable equipment acquired during the year were individually below the threshold and were expensed. The Academy's furniture and equipment became fully depreciated during the year and has no remaining book value. The Academy occupies leased facilities and has capitalized no leasehold improvements. There were no capital asset disposals and no capital commitments outstanding at year end.

Table 4 — Long-Term Obligations

	June 30, 2026	June 30, 2025	$ Change	% Change
Notes payable	$ 74,658	$ 159,257	(84,599)	(53.1)%
Lease liabilities (GASB 87)	956,973	947,216	9,757	1.0%
Subscription liabilities (GASB 96)	—	—	—	—
Compensated absences	—	—	—	—
Total long-term obligations	**$ 1,031,631**	**$ 1,106,473**	**(74,842)**	**(6.8)%**

Total long-term obligations fell $74,842, from $1,106,473 to $1,031,631.

Notes payable fell $84,599 to $74,658. The Academy borrows against future state aid receipts to bridge the timing of state aid payments, and a single note of $400,000 was drawn during the year, secured by a pledge of the Academy's state school aid payments. The $74,658 remaining at year end is repaid from the July and August 2026 state aid payments, which are themselves reported as due from other governmental units at June 30, 2026, and was repaid in full on August 20, 2026. Interest of $14,285 was paid on that borrowing during the year, compared with $28,858 in the prior year, reflecting the lower average balance outstanding.

Lease liabilities rose $9,757 to $956,973. The movement is the net of three events. In June 2025 the Academy and Mobile Modular Management Corporation executed an addendum extending both modular classroom leases to June 30, 2029 at monthly rents of $2,000 and $6,300, replacing leases that would otherwise have expired in October 2025 at automatically renewed market rates. The Academy elected the extension to retain the six classrooms and two restroom facilities the modulars provide, which are required at current enrollment. That extension added $334,712 of lease liability and an equal amount of right-to-use asset when the amended terms commenced in October and November 2025. Against that, the Academy repaid $286,872 of lease principal, and the change in the measurement basis of the building lease reduced the liability by a further $38,083.

The Academy's building lease with the Archdiocese of Detroit runs to June 30, 2029, the first of two available five-year extensions having been exercised by notice dated February 27, 2024. The one remaining extension requires the landlord's written consent and permits the landlord to set the rent, so it is not within the Academy's

control and is excluded from the lease term. Because no rate is stated or implicit in any of the Academy's lease agreements, the liabilities are measured using the Academy's estimated incremental borrowing rate of 5.50 percent, determined by reference to the five-year Treasury yield at the measurement date and the credit spreads at which unrated charter school borrowers financed at that time. The Academy has no bonded debt, no subscription-based information technology arrangements, no public-private partnership obligations, and no debt covenants or credit rating.

Currently Known Facts, Decisions, or Conditions

The following facts, decisions, and conditions are known to management as of October 1, 2026, the date the financial statements were available to be issued, and are expected to have a significant effect on the Academy's financial position or results of operations in future periods.

State funding. The State School Aid Act appropriation for fiscal year 2026-27 was enacted as Public Act 25 of 2026 and sets the minimum per-pupil foundation allowance at $10,300, an increase of $250, or 2.5 percent, over the $10,050 allowance in effect for the year just ended.

Enrollment. The fiscal year 2027 budget was built on an estimated blended count of 360 pupils, compared with approximately 402 for the year just ended. Management reduced the estimate in anticipation of families relocating out of the Academy's service area in response to current federal immigration policy. At 360 pupils and the enacted $10,300 allowance, foundation allowance revenue would be approximately $3,708,000, a decrease of approximately $336,000 from the $4,043,524 recognized this year: the loss of approximately 42 pupils reduces revenue by approximately $425,000, which the $250 increase in the allowance offsets by approximately $90,000. Each 10-pupil variance from the 360-pupil estimate changes foundation allowance revenue by approximately $103,000 and, because rent under the building lease is calculated as ten percent of state aid, changes rent expense by approximately $10,300.

Facility costs. All three of the Academy's lease arrangements expire on June 30, 2029, within the term of the current charter contract. Amortization of the right-to-use assets will be approximately $308,000 in each of fiscal years 2027 and 2028 and $301,000 in fiscal year 2029, after which the only remaining depreciation is approximately $17,500 on the Academy's buses. Contractual lease payments are $347,654 in fiscal year 2027, $347,653 in fiscal year 2028 and $339,800 in fiscal year 2029. Rent under the building lease will continue to move with enrollment, and the Academy will need to secure facility arrangements beyond June 30, 2029 during the term of the current charter.

Grants. Effective for fiscal year 2026-27, the State consolidated Section 31a at-risk funding and Section 41 bilingual education funding into a weighted foundation allowance paid in addition to the target foundation allowance, with the related program requirements moved to Section 1280h of the Revised School Code. Statewide Section 41 funding was increased by approximately 20 percent, from $62.7 million to $75.3 million, as part of that consolidation.

Three consequences of the consolidation are expected to be significant for the Academy. First, the weighted allowance is not restricted to a specified use. Districts remain expected to meet the intent of the former sections by serving at-risk students and English learners, but the funds themselves carry no enforceable purpose restriction. Revenue that is not restricted to a specific program is reported as general revenue rather than as program revenue. Beginning in fiscal year 2027, therefore, the Section 31a and Section 41 allocations — approximately $1,072,000 of the $2,050,778 reported as operating grants and contributions this year — are expected to be reported as unrestricted state aid. Program revenues will fall and general revenues will rise correspondingly, and the share of the Academy's program costs shown as funded from general revenues will increase, without any change in the resources actually available to the Academy. Management is reviewing the requirements of Section 1280h and will confirm the classification before the fiscal year 2027 financial statements are prepared.
Second, because the weighted allowance carries no eligibility requirement tied to incurring allowable costs, amounts received will be recognized as revenue when the time requirement is met rather than as they are

expended. The Academy does not expect to report unearned revenue for these programs after the current year. Of the $685,860 of unearned revenue at June 30, 2026, $609,039 relates to Section 31a and Section 41 and is expected to be the last such balance. As that amount is expended during fiscal year 2027 without a replacement deferral arising at year end, unassigned fund balance and unrestricted net position will increase by more than the operating result for that year, on its own, would suggest. The comparison of fiscal year 2027 fund balance with prior years should be read with that change in mind.

Third, the Academy held $609,039 of Section 31a and Section 41 awards received but not expended at June 30, 2026, within total unearned revenue of $685,860. Those awards were made under the former sections and remain subject to the carryover periods described in Note 4: the Section 41 portion must be expended by September 30, 2027, and the Section 31a portion within the one-year carryover period, or the unexpended amounts are returned to the State. The consolidation does not affect the Academy's ability to expend these awards, which remain available under the successor program. Management expects them to be expended during fiscal year 2027, which will increase reported expenses in that year without requiring additional cash.

Section 41 bilingual funding of $273,223 recognized this year represented the use of awards from prior years and is not expected to recur at that level. No other federal or state award is expiring or being wound down, and no new award has been made, for fiscal year 2027.

Charter contract. The Academy operates under a contract with the Central Michigan University Board of Trustees that was renewed for a five-year term expiring June 30, 2029. The Academy pays the authorizer three percent of state aid as an administrative fee and pays its management company twelve percent of state aid; both agreements run to the same date. Because 90 percent of General Fund revenue comes from state sources and 65 percent from the foundation allowance alone, the Academy's revenue is directly dependent on state appropriations and on maintaining enrollment, and both the authorizer fee and the management fee move proportionately with that revenue.

Commitments and decisions. The Academy has entered into no new leases, contracts, or other commitments since year end, and is not party to any known litigation. The state aid anticipation note outstanding at year end was repaid in full on August 20, 2026, and the Academy has not applied for a note for fiscal year 2027; management does not expect to borrow for working capital in that year. Other subsequent events are described in Note 13.

Economic conditions. Labor costs are rising faster than the increase in state aid. The $250 increase in the foundation allowance for fiscal year 2027 is not expected to keep pace with the compensation the Academy must reimburse its management company to retain instructional staff, and that gap is compounded by the reduction in the budgeted pupil count. Because both the authorizer administrative fee and the management fee are calculated as a percentage of state aid, they will fall with enrollment, but the Academy's instructional staffing costs will not fall proportionately. Management intends to manage the resulting pressure through the same controls applied to the operations budget during the year just ended.

Contacting the Academy's Financial Management

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 demonstrate the Academy's accountability for the resources it receives. Questions concerning this report or requests for additional information should be directed to Linda Chittum, Board Treasurer, Escuela Avancemos!, 2635 Howard Street, Detroit, Michigan 48216, lchittum@theeaacademy.org.

Escuela Avancemos!
STATEMENT OF NET POSITION
June 30, 2026

	Governmental Activities
Assets	
Cash	$ 1,661,442
Due from other governmental units	1,120,028
Security deposits	16,384
Prepaid expenses	39,815
Capital assets (net of accumulated depreciation/amortization)	987,035
Total assets	**3,824,704**
Liabilities	
Accounts payable	$ 134,393
Notes payable	74,658
Accrued liabilities	110,272
Unearned revenue	685,860
Long-term lease liabilities:	
Due within one year	304,206
Due in more than one year	652,767
Total liabilities	**1,962,156**
Net Position	
Net investment in capital assets	$ 30,062
Unrestricted	1,832,486
Total net position	**1,862,548**
Total liabilities and net position	**$ 3,824,704**

See accompanying notes to financial statements

Escuela Avancemos!
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
Governmental activities:				
Instruction	$ 2,573,058	$ 0	$ 1,676,435	$ (896,623)
Support services	3,173,260		374,343	(2,798,917)
Community services	304			(304)
Depreciation/amortization and lease remeasurement (unallocated)	344,803			(344,803)
Interest on long-term liabilities	53,585			(53,585)
Total governmental activities	**6,145,010**	**0**	**2,050,778**	**(4,094,232)**
General revenues:				
State aid not restricted to specific purposes				4,043,524
Other revenue				130,447
Total general revenues				**4,173,971**
Change in net position				**79,739**
Net position - beginning of year, as previously reported				2,199,824
Restatement — prepaid expenses (Note 12)				6,998
Restatement — unearned revenue (Note 12)				(424,013)
Net position - beginning of year, as restated				1,782,809
Net position - end of year				**1,862,548**

See accompanying notes to financial statements

Escuela Avancemos!
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2026

	General Fund	Total Governmental Funds
ASSETS		
Cash	$ 1,661,442	$ 1,661,442
Accounts receivable	0	0
Due from other governmental units	1,120,028	1,120,028
Security deposits	16,384	16,384
Prepaid expenses	39,815	39,815
Total assets	**2,837,669**	**2,837,669**
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 134,393	$ 134,393
Notes payable	74,658	74,658
Unearned revenue	685,860	685,860
Accrued liabilities	110,272	110,272
Total liabilities	**1,005,183**	**1,005,183**
Fund Balances		
Nonspendable - prepaid expenses	39,815	39,815
Unassigned fund balance	1,792,671	1,792,671
Total fund balances	**1,832,486**	**1,832,486**
Total liabilities and fund balances	**$ 2,837,669**	**$ 2,837,669**

See accompanying notes to financial statements

Escuela Avancemos!

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2026

Total fund balances - governmental funds		**$ 1,832,486**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:		
Cost of capital assets	1,606,146	
Accumulated depreciation and amortization	(619,111)	
		987,035
Long-term lease liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Due within one year		(304,206)
Due in more than one year		(652,767)
Total net position - governmental activities		**$ 1,862,548**

See accompanying notes to financial statements

Escuela Avancemos!

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2026

	General Fund	Total Governmental Funds
Revenues		
Local sources	$ 130,447	$ 130,447
State sources	5,610,061	5,610,061
Federal sources	484,241	484,241
Total revenues	**6,224,749**	**6,224,749**
Expenditures		
Current:		
Instruction	2,573,058	2,573,058
Support services:		
Pupil support services	238,125	238,125
Instructional staff services	325,323	325,323
General administration services	610,684	610,684
School administration services	591,775	591,775
Business services	89,778	89,778
Operations and maintenance	1,036,157	1,036,157
Transportation	465,821	465,821
Central	156,054	156,054
Community services	304	304
Total expenditures	**6,087,079**	**6,087,079**
Excess (deficiency) of revenues over expenditures	**137,670**	**137,670**
Net change in fund balances	**137,670**	**137,670**
Fund balances - beginning of year	1,694,816	1,694,816
Fund balances - end of year	**$ 1,832,486**	**$ 1,832,486**

See accompanying notes to financial statements

Escuela Avancemos!

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

Total net change in fund balances - governmental funds		**$ 137,670**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation and amortization:		
Depreciation and amortization expense	(369,418)	
Capital outlay	0	
Adjustment to right-to-use asset measurement (Note 12)	(13,468)	
		(382,886)
Repayment of lease principal is an expenditure in the funds but reduces long-term liabilities in the statement of net position:		
Principal portion of lease payments	286,872	
Adjustment to lease liability measurement (Note 12)	38,083	
		324,955
Change in net position of governmental activities		**$ 79,739**

See accompanying notes to financial statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Escuela Avancemos! (the "Academy") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

Reporting Entity

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy was established on July 1, 2012 as a public school academy. The Academy is located in the metropolitan Detroit area and provides education for approximately 402 kindergarten through eighth grade students.

The Academy entered into a five-year contract with Central Michigan University as of July 1, 2019. The contract was renewed for an additional five years, extending authorization until June 30, 2029. The contract requires the Academy to act exclusively as a public school and not to undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. Central Michigan University is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Central Michigan University 3 percent of state aid as administrative fees. Total administrative fees for the year ended June 30, 2026 were approximately $120,962.

Administrative Services — The Academy has a management agreement effective through June 30, 2029 with Sanga Educational Partners Inc. for a fee of 12 percent of state aid. The management company is responsible for the complete management, operation, administration and education of the Academy. The Academy subcontracts all employees from the management company and reimburses the management company for operating costs. The Academy incurred management fees totaling $485,223 for the year ended June 30, 2026. At June 30, 2026, amounts due to Sanga Educational Partners Inc. totaled $88,268 and amounts due to Central Michigan University totaled $22,004; both are included in accrued liabilities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements — The government-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, categorical aid and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. General revenue includes all unrestricted state and federal aid.

Fund Financial 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 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered available only when cash is received by the Academy. Resources received before the eligibility requirements attached to them have been met are reported as unearned revenue in both the governmental fund balance sheet and the statement of net position; see Note 4.

The Academy reports one major governmental fund. The General Fund is the Academy's primary and only operating fund. It accounts for all financial resources of the Academy. The Academy maintains no special revenue funds and does not operate a food service program.

Assets, Liabilities and Net Position

Cash and Investments — Cash and investments include cash on hand, demand deposits and short-term investments with a maturity of twelve months or less when acquired. Investments are stated at fair value.

Receivables and Payables — Accounts receivable are shown net of any allowance for uncollectible amounts. The Academy had no allowance for uncollectible amounts at June 30, 2026.

Prepaid Expenses — Prepaid expenses represent payments made in advance for goods or services to be received in future periods and are reported as assets in both the governmental fund balance sheet and the statement of net position. Prepaid expenses at June 30, 2026 totaled $39,815.

Leases — At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Payments that depend on an index or a rate are measured using the index or rate in effect at the measurement date. Payments that vary with the Academy's future performance or its use of the underlying asset are excluded from the measurement of the lease liability and are recognized as outflows of resources in the period in which the obligation is incurred. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the amount of the lease liability, adjusted for lease payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Because no interest rate is stated in, or determinable from, any of the Academy's lease agreements, lease liabilities are measured using the Academy's estimated incremental borrowing rate of 5.50 percent.

Capital Assets — Capital assets, which include the Academy's right-to-use lease assets, vehicles and furniture and equipment, are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Furniture and equipment	5 – 10 years
Buses	10 years
Right-to-use lease assets	shorter of the lease term or useful life

Net Position — Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation and amortization, reduced by the outstanding balance of the lease liabilities attributable to those assets. Net position is reported as restricted when limitations are imposed on its use either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy had no restricted net position at June 30, 2026.

Fund Equity — Fund balance is classified in accordance with GASB Statement No. 54 as nonspendable, restricted, committed, assigned or unassigned. Nonspendable amounts are not in spendable form or are legally or contractually required to remain intact. Restricted amounts are constrained by outside parties, constitutional provisions or enabling legislation. Committed amounts have been formally set aside by resolution of the Board of the Academy and can be rescinded only by resolution of the Board. Assigned amounts reflect an intent to spend expressed by the Board or by an official authorized by the Board. Unassigned fund balance is the residual classification of the General Fund. When both restricted and unrestricted resources are available for a particular purpose, the Academy considers restricted resources to be used first.

Comparative Data — Comparative data are not included in the Academy's basic financial statements.

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

New Accounting Pronouncement Adopted

The Academy adopted GASB Statement No. 103, Financial Reporting Model Improvements, effective for the year ended June 30, 2026. Statement 103 revised the required content of management's discussion and analysis, requires unusual or infrequent items to be presented separately as the last resource flows before the change in net position, and requires the budgetary comparison schedule to be presented as required supplementary information with explanations of significant budgetary variances presented in the notes to that schedule. Adoption of Statement 103 changed the presentation of, and the analysis accompanying, the financial statements; it did not change the amounts reported for net position or the change in net position. The Academy reported no unusual or infrequent items in the current or prior year.

NOTE 2 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information — Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body, being the level at which expenditures may not legally exceed appropriations, is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Academy amended budgeted amounts during the year in response to changes in enrollment and related revenues and expenditures.

Amounts encumbered for purchase orders, contracts and similar commitments are not tracked during the year. Budget appropriations are considered spent once the goods are delivered or the services rendered.

Excess of Expenditures over Appropriations in Budgeted Funds — For the year ended June 30, 2026, the Academy did not incur expenditures in the General Fund in excess of budgeted amounts at the legal level of budgetary control. Actual expenditures were below the final amended budget in every budgeted function.

NOTE 3 — DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, banker's acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds and investment pools composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority. The Academy has designated one bank for the deposit of its funds.

The Academy's deposits are subject to several types of risk, which are examined below.

Custodial Credit Risk of Bank Deposits — Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. As of year end, $1,410,942 of the Academy's bank balance of $1,660,942 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Academy does not have a deposit policy for custodial credit risk.

Custodial Credit Risk of Investments — Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The Academy had no investments at June 30, 2026.

Interest Rate Risk — Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Academy had no investments at June 30, 2026.

Credit Risk — State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Academy had no investments at June 30, 2026.

Concentration of Credit Risk — The Academy places no limit on the amount it may invest in any one issuer and does not have a policy to minimize concentration of credit risk.

Foreign Currency Risk — State law and the Academy's policy prohibit investment in foreign currency.

NOTE 4 — RECEIVABLES AND UNEARNED REVENUE

Receivables as of year end for the Academy's General Fund, including any applicable allowance for uncollectible accounts, are as follows:

	General Fund
State of Michigan — July and August 2026 state aid	$ 1,104,341
State of Michigan — Filter First Healthy Hydration grant	665
Federal — Title I	15,022
Total due from other governmental units	**$ 1,120,028**

Unearned revenue represents resources received before the Academy has met the eligibility requirements attached to them. Amounts received in advance of meeting those requirements are reported as a liability in both the governmental fund balance sheet and the statement of net position, and no reconciling item arises between the two statements. Unearned revenue at June 30, 2026 consists of the following:

	General Fund
Section 31a — at risk	$ 314,187
Section 41 — bilingual education	294,852
Benchmark assessment	4,661
United Way — summer school programming	72,160
Total unearned revenue	**$ 685,860**

The Section 31a at-risk, Section 41 bilingual and benchmark assessment allocations are separate state categoricals and are expenditure-driven: the Academy becomes entitled to the funds only as it incurs allowable costs, and amounts not expended within the periods allowed by the State are recoverable. The benchmark assessment allocation is distributed with the Academy's state aid payments. The United Way award funds summer school programming and is recognized as the related program costs are incurred; see Note 13.

Section 31a funds may be carried over for one year. Prior year carryover must be expended before the current year allocation, and carryover not expended and reported on the annual program and fiscal report due July 15 of the following year is returned to the State School Aid budget.

Section 41 funds are subject to a longer carryover period. Amounts allocated for the 2025-26 fiscal year and unexpended at June 30, 2026 must be expended by September 30, 2027. Unspent prior year amounts are budgeted

as carryover in the following year's Section 41 bilingual education application, and amounts not expended by that date are returned to the Michigan Department of Education as a prior year adjustment processed through the State Aid Management System.

The increase in unearned revenue of $261,847 reflects larger balances of awards received but not yet expended at year end, principally Section 41 bilingual funding. The Academy had no receivables at year end for which the related revenue was earned but unavailable under the modified accrual basis, and accordingly reports no deferred inflows of resources.

NOTE 5 — CAPITAL ASSETS

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

Assets being depreciated/amortized:

	Balance July 1, 2025	Additions	Measurement Adjustment	Retirements	Balance June 30, 2026
Right-to-use assets — building	$ 2,041,700	—	(988,968)	—	$ 1,052,732
Right-to-use assets — modular classrooms	486,420	334,712	—	(486,420)	334,712
Right-to-use assets — copier	41,623	—	(7,204)	—	34,419
Buses	175,284	—	—	—	175,284
Furniture and equipment	8,999	—	—	—	8,999
Total capital assets being depreciated/amortized	**$ 2,754,026**	**$ 334,712**	**$ (996,172)**	**$ (486,420)**	**$ 1,606,146**

Accumulated depreciation/amortization:

	Balance July 1, 2025	Current Year	Measurement Adjustment	Retirements	Balance June 30, 2026
Right-to-use assets — building	$ 1,190,244	210,547	(979,698)	—	$ 421,093
Right-to-use assets — modular classrooms	416,959	132,660	—	(486,420)	63,199
Right-to-use assets — copier	16,774	6,884	(3,006)	—	20,652
Buses	87,640	17,528	—	—	105,168
Furniture and equipment	7,200	1,799	—	—	8,999
Total accumulated depreciation and amortization	**$ 1,718,817**	**$ 369,418**	**$ (982,704)**	**$ (486,420)**	**$ 619,111**
Net capital assets	**$ 1,035,209**				**$ 987,035**

The measurement adjustment column reflects the change in the basis on which the building and copier right-to-use assets are measured, described in Note 12. The retirement of the modular classroom right-to-use assets reflects the expiry of the original modular leases in October 2025; those assets were fully amortized at the date of expiry, and the amended leases described in Note 6 are recorded as an addition of $334,712.

Depreciation and amortization expense of $369,418 was not charged to specific activities, as the Academy considers its assets to benefit multiple activities and allocation is not practical. The Academy had no capital asset additions meeting its $5,000 capitalization threshold during the year and had no capital commitments outstanding at June 30, 2026. The Academy occupies leased facilities and has capitalized no leasehold improvements.

NOTE 6 — LEASES

The Academy leases its school building, six modular classrooms and office equipment. All three arrangements are recognized in the government-wide financial statements as right-to-use lease assets and lease liabilities in accordance with GASB Statement No. 87.

School building

The Academy leases the former St. Anne school building at 2635 Howard Street, Detroit, Michigan from the Roman Catholic Archbishop of the Archdiocese of Detroit under a lease dated March 6, 2019. The original term ran from July 1, 2019 to June 30, 2024. By notice dated February 27, 2024 the Academy exercised the first of two available five-year extensions, and the current term expires June 30, 2029. The remaining extension requires the landlord's written consent and permits the landlord to determine the rent for the extension term; because the extension is therefore not within the Academy's control, the related period is excluded from the lease term.

Monthly base rent is one-twelfth of ten percent of state aid received with respect to students at the leased premises, subject to a contractual minimum calculated on 250 students. Only the contractual minimum is fixed in substance and is included in the measurement of the lease liability; rent above that minimum varies with the Academy's enrollment and is recognized as an outflow of resources in the period incurred. The lease also provides for additional rent of $100 per day for use of the parish hall, which is likewise a variable payment excluded from the measurement of the liability.

During the year ended June 30, 2026 the Academy paid rent of $401,670 under this lease, of which $240,200 represented the fixed minimum included in the measurement of the lease liability and $161,470 represented variable payments recognized as an outflow of resources. Parish hall charges of $24,400 were also incurred under Section 5(d).

Modular classrooms

The Academy leases two modular classroom buildings on the leased premises from Mobile Modular Management Corporation, providing six classrooms and three restroom facilities. By addendum dated June 6, 2025, both leases were amended and extended to June 30, 2029, at monthly rents of $2,000 and $6,300 effective November 1, 2025 and October 15, 2025 respectively, replacing prior leases that would otherwise have expired in October 2025. The amended leases were recorded as an addition to right-to-use assets and lease liabilities of $334,712 on commencement of the amended terms.

Office equipment

The Academy leases two Sharp multifunction devices from UTEC Technologies, Inc. under a non-cancelable 60-month agreement executed April 14, 2023, at a monthly payment of $654.45 plus applicable sales tax. The agreement also provides an allowance of copies each month, with charges billed for copies made in excess of that allowance.

Total charges recorded in the copier lease account during the year ended June 30, 2026 were $41,108. Of that amount, $7,853 represents the fixed monthly payments included in the measurement of the lease liability. The remaining $33,255 comprises copy overage charges, sales tax and optional remote help desk support. Copy overage charges vary with the Academy's use of the underlying asset and, together with sales tax and the service component, are excluded from the measurement of the lease liability and recognized as outflows of resources in the period in which the obligation is incurred.

Variable payments not included in the measurement of lease liabilities

The following amounts were recognized as outflows of resources during the year ended June 30, 2026 for payments that vary with the Academy's performance or with its use of the underlying assets and are therefore excluded from the measurement of the lease liabilities:

	Year ended June 30, 2026
Building lease — rent above the 250 student contractual minimum	$ 161,470
Building lease — parish hall charges at $100 per day	24,400
Copier lease — copy overage charges, sales tax and service component	33,255
Modular classroom leases — none	—
Total variable payments recognized as outflows of resources	**$ 219,125**

Lease liability activity and maturities

Lease liability activity for the year was as follows:

	Amount	Due Within One Year
Balance July 1, 2025, as previously reported	$ 947,216	
Adjustment to measurement basis	(38,083)	
Balance July 1, 2025, as adjusted	909,133	
Additions — amended modular classroom leases	334,712	
Principal reductions	(286,872)	
Balance June 30, 2026	**$ 956,973**	**$ 304,206**

Future principal and interest requirements on the Academy's lease liabilities are as follows:

Year ending June 30	Principal	Interest	Total
2027	$ 304,206	$ 43,448	$ 347,654
2028	321,365	26,288	347,653
2029	331,402	8,398	339,800
Total	**$ 956,973**	**$ 78,134**	**$ 1,035,107**

The Academy also rents a storage unit under an arrangement with a term of one year that is renewable annually. As a short-term lease under GASB Statement No. 87, it is not recognized as a right-to-use asset or lease liability, and the related rent is recognized as an outflow of resources as it is incurred.

The Academy is responsible for insurance, repairs and maintenance of the leased premises. The Academy holds a $15,000 security deposit with the landlord of the school building.

NOTE 7 — NOTES PAYABLE

The Academy borrows against future state aid receipts to fund working capital during periods when state aid payments do not align with operating disbursements. Notes payable activity for the year was as follows:

	Amount
Balance July 1, 2025	$ 159,257
Proceeds of state aid anticipation note	400,000
Principal repayments	(484,599)
Balance June 30, 2026	**$ 74,658**

The note outstanding at June 30, 2025 was repaid during the first quarter of the fiscal year. A single state aid anticipation note of $400,000 closed on August 18, 2025, bears interest at 5.954 percent and is secured by a pledge of the Academy's state school aid payments; there were no other borrowings during the year. Of that note, $74,658 remained outstanding at June 30, 2026 and is reported as a current liability. The Academy repays the note from its July and August state aid payments, which are reported at June 30, 2026 within due from other governmental units in Note 4, and the remaining balance was repaid in full on August 20, 2026. Interest of $14,285 was paid on the Academy's borrowings during the year ended June 30, 2026, compared with $28,858 in the prior year, reflecting the lower average balance outstanding. The Academy has not applied for a state aid anticipation note for fiscal year 2027.

NOTE 8 — DEFINED BENEFIT PENSION PLAN

The Academy does not participate in the Michigan Public School Employees' Retirement System. The Academy's employees are leased from its management company. Accordingly, no pension plan disclosure is considered necessary.

NOTE 9 — LEASED EMPLOYEES

The Academy leases substantially its entire staff from Sanga Educational Partners Inc. Sanga Educational Partners is responsible for providing personnel to the Academy, and the Academy reimburses Sanga Educational Partners for its payment of all such compensation as approved by the Board and provided for in the budget.

NOTE 10 — RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company is covered by insurance held by the employee leasing company. The Academy has purchased commercial insurance for all other claims. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11 — CONTINGENCIES

The Academy receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. In addition, Section 31a and Section 41 awards not expended within the periods described in Note 4 are recoverable by the State.

NOTE 12 — CHANGE IN MEASUREMENT OF LEASE ASSETS AND LIABILITIES, PRIOR YEAR AUDIT ADJUSTMENTS, AND RESTATEMENT

Change in measurement of lease assets and liabilities — The Academy's building lease provides for rent equal to ten percent of state aid generated by enrollment, subject to a contractual minimum calculated on 250 students. In prior years the related right-to-use asset and lease liability were measured on the basis of anticipated enrollment. Under GASB Statement No. 87, only payments that are fixed or fixed in substance are included in the measurement of a lease liability; payments that vary with the lessee's own performance are excluded and recognized as outflows of resources when incurred. Accordingly, the Academy has remeasured the building lease on the basis of the contractual minimum. The Academy has also measured all of its lease liabilities at the present value of the lease payments, and has excluded sales tax and service components from the measurement of the copier lease.

The effect of these changes was to reduce right-to-use assets by $13,468 and lease liabilities by $38,083, increasing net position by $24,615. Because the cumulative effect on beginning balances was not material, the change has been reflected in the current year rather than by restating the prior year. Had the prior year been restated, right-to-use assets and lease liabilities at June 30, 2025 would have been reduced by corresponding amounts with no material effect on the change in net position previously reported.

Prior year audit adjustment not recorded in the general ledger — An adjusting entry recorded in the audit of the year ended June 30, 2025 to increase accounts payable by $16,454 was not posted to the Academy's accounting records. Management has confirmed that the adjustment related to accounts payable originating in the fiscal year ended June 30, 2024. Every other account agreed. As a result the general ledger carried forward fund balance of $1,711,270 against the $1,694,816 reported in the June 30, 2025 audited financial statements, and the underlying costs were recorded a second time in the current year when the related invoices were paid. Expenditures for the year ended June 30, 2026 have been reduced by $16,454, within general administration services, to remove those prior year costs. Beginning fund balance agrees to the amount reported in the prior year audited financial statements and has not been restated.

Restatement of beginning net position — Beginning net position has been restated by a net $417,015, from $2,199,824 as previously reported to $1,782,809, for the two matters described below. The corrections have been applied by restating beginning net position in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections. Beginning fund balance is not affected by either correction.

Prepaid expenses — Beginning net position has been increased by $6,998 to correct the exclusion of prepaid expenses from net position in the prior year. Prepaid expenses are assets under both the accrual and the modified accrual basis of accounting, but the prior year reconciliation of the governmental funds balance sheet to the statement of net position removed $7,000 of them. The difference between the restatement and the $7,000 reflects rounding in the prior year reported amounts.

Unearned revenue — Beginning net position has been decreased by $424,013 to correct the treatment of state categorical funds received but not yet expended. In the reconciliation of the governmental funds balance sheet to the statement of net position at June 30, 2025, the $424,013 reported as deferred revenue on the fund balance sheet was added back, with the result that no corresponding liability was reported in the government-wide statements. As described in Note 4, the Academy's Section 31a and Section 41 allocations are expenditure-driven and unexpended amounts are returned to the State; resources received before those eligibility requirements are met are a liability under both the current financial resources and the economic resources measurement focus and are not a reconciling item between the two sets of statements. The corresponding balance at June 30, 2024 was $497,202.

NOTE 13 — SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 1, 2026, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Subsequent to year end the Academy completed the summer school program funded by the United Way award and expended in full the $72,160 of unearned revenue related to that award. No portion of the award was returned to the grantor. The United Way provided additional funding after June 30, 2026 to cover summer program costs in excess of the original award; because those costs were incurred after year end, no receivable or revenue for that additional funding is recorded at June 30, 2026. Both the reversal of the unearned revenue and the additional award will be recognized in the year ending June 30, 2027. Neither event affects the amounts reported at June 30, 2026.

Management is not aware of any other events occurring after June 30, 2026 that require recognition or disclosure in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Escuela Avancemos!

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended June 30, 2026

	Original Budget	Final Budget	Variance Original to Final Budget	Actual (GAAP Basis)	Variance Final Budget to Actual
Revenues					
Local revenues	$ 190,000	$ 159,500	$ (30,500)	$ 130,447	$ (29,053)
State program revenues	5,331,787	6,120,493	788,706	5,610,061	(510,432)
Federal program revenues	440,710	486,563	45,853	484,241	(2,322)
Other revenue	0	0	0	0	0
Total revenues	**5,962,497**	**6,766,556**	**804,059**	**6,224,749**	**(541,807)**
Expenditures					
Current:					
Instruction	2,041,569	2,868,318	826,749	2,573,058	(295,260)
Support services:					
Pupil support services	185,149	259,564	74,415	238,125	(21,439)
Instructional staff services	477,258	547,498	70,240	325,323	(222,175)
General administration services	658,760	631,386	(27,374)	610,684	(20,702)
School administration services	626,673	595,540	(31,133)	591,775	(3,765)
Business services	112,861	107,061	(5,800)	89,778	(17,283)
Operations and maintenance	1,274,008	1,053,516	(220,492)	1,036,157	(17,359)
Transportation	535,300	540,000	4,700	465,821	(74,179)
Central	146,380	159,380	13,000	156,054	(3,326)
Community services	88,847	805	(88,042)	304	(501)
Other financing uses	0	0	0	0	0
Total expenditures	**6,146,805**	**6,763,068**	**616,263**	**6,087,079**	**(675,989)**
Excess (deficiency) of revenues over expenditures	**(184,308)**	**3,488**	**187,796**	**137,670**	**134,182**
Net change in fund balance	**(184,308)**	**3,488**	**187,796**	**137,670**	**134,182**
Fund balance - beginning of year	1,130,952	1,711,270	580,318	1,694,816	(16,454)
Fund balance - end of year	**$ 946,644**	**$ 1,714,758**	**$ 768,114**	**$ 1,832,486**	**$ 117,728**

The original budget column reflects the estimated available fund balance of $1,130,952 used by the Board when the general appropriations resolution was adopted on June 24, 2025, which was the amount projected before the prior year audit was completed. The final budget column reflects the $1,711,270 used when appropriations were last amended, being the balance then carried in the general ledger. Beginning fund balance in the actual column is the $1,694,816 reported in the June 30, 2025 audited financial statements; the $16,454 difference is the prior year audit adjustment described in Note 12.

See accompanying notes to the budgetary comparison schedule

Escuela Avancemos!
Notes to the Required Supplementary Information
Budgetary Comparison Schedule — General Fund
For the Year Ended June 30, 2026

NOTE A — BUDGETARY BASIS OF ACCOUNTING

The annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America and with state law. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body, being the level at which expenditures may not legally exceed appropriations, is the function level. All annual appropriations lapse at fiscal year end.

The original budget presented in the accompanying schedule is the general appropriations resolution adopted by the Board of Directors on June 24, 2025. The final budget is that resolution as amended during the year in a legally permissible manner. Amounts encumbered for purchase orders and contracts are not tracked during the year; appropriations are considered spent once the goods are delivered or the services rendered.

Beginning fund balance in the actual column is the amount reported in the June 30, 2025 audited financial statements. The original budget column reflects the estimated available fund balance of $1,130,952 used by the Board when the appropriations resolution was adopted, which was the amount projected before the prior year audit was completed. The final budget column reflects the $1,711,270 used when appropriations were last amended; that figure was the balance then carried in the general ledger, which exceeded the audited balance by $16,454 because a prior year audit adjustment to accounts payable had not been posted. Actual expenditures exclude that $16,454 of fiscal year 2025 costs, which were recorded in the general ledger during the current year and have been removed from general administration services; see Note 12 to the financial statements.

NOTE B — EXPLANATION OF SIGNIFICANT VARIATIONS BETWEEN THE ORIGINAL AND FINAL BUDGET

Budgeted revenues were increased $804,059, from $5,962,497 to $6,766,556. State revenue accounted for $788,706 of that increase. The appropriations resolution was adopted on June 24, 2025, before the State School Aid Act appropriation for 2025-26 was enacted, and assumed the then-current foundation allowance of $9,608; the enacted allowance of $10,050 was $442 higher. The budget was further increased to reflect Section 41 bilingual awards carried forward from prior years, including the $424,013 of grant funds reported as deferred revenue at June 30, 2025 and additional unused prior year Section 41 allocations that became available for expenditure during the year. Budgeted federal revenue was increased $45,853 as final grant allocations were awarded, and budgeted local revenue was reduced $30,500.

Budgeted expenditures were increased $616,263, from $6,146,805 to $6,763,068. The changes by function were as follows:

	Original	Final	Change
Instruction	$ 2,041,569	$ 2,868,318	$ 826,749
Pupil support services	185,149	259,564	74,415
Instructional staff services	477,258	547,498	70,240
General administration services	658,760	631,386	(27,374)
School administration services	626,673	595,540	(31,133)
Business services	112,861	107,061	(5,800)
Operations and maintenance	1,274,008	1,053,516	(220,492)
Transportation	535,300	540,000	4,700
Central	146,380	159,380	13,000

	Original	Final	Change
Community services	88,847	805	(88,042)
Total expenditures	**$ 6,146,805**	**$ 6,763,068**	**$ 616,263**

The $826,749 increase in the instruction appropriation, together with the increase in instructional staff services, reflects the staffing added under the Section 41 bilingual and Title I awards described above; those positions are funded by the awards rather than by unrestricted state aid, so the revenue and expenditure amendments move together.

The $220,492 reduction in the operations and maintenance appropriation reflects controlled operating costs together with the effect of enrollment on facility rent, which is calculated as ten percent of state aid and therefore falls as the pupil count falls. The $88,042 reduction in community services and $74,415 of the increase in pupil support services arise from the same decision: the position originally charged to community services was reassigned to student support services during the year, and the appropriations were amended to follow it.

NOTE C — EXPLANATION OF SIGNIFICANT VARIATIONS BETWEEN THE FINAL BUDGET AND ACTUAL RESULTS

Revenues

Actual revenues of $6,224,749 were $541,807 below the final budget. State revenue was $510,432 below budget. Categorical awards are recognized as revenue only as the related eligibility requirements are met and the funds are expended; awards received but not yet expended are reported as unearned revenue. Unearned revenue increased $261,847 during the year, from $424,013 to $685,860, of which the Section 31a and Section 41 allocations account for $609,039 of the closing balance. Because the budget was adopted on the full award amounts, the growth in those deferred amounts is the principal reason state revenue fell short of the final budget; the remainder reflects Section 41 and at-risk allocations that were not fully drawn by June 30, 2026.

Local revenue was $29,053 below budget, principally because the Academy recorded a $50,000 reduction of Detroit's Children's Fund revenue during the year. Federal revenue was within $2,322 of budget.

Expenditures

Actual expenditures of $6,087,079 were $675,989 below the final budget. No function exceeded its appropriation. The principal variances were as follows:

	Final Budget	Actual	Variance
Instruction	$ 2,868,318	$ 2,573,058	$ (295,260)
Instructional staff services	547,498	325,323	(222,175)
Transportation	540,000	465,821	(74,179)
Pupil support services	259,564	238,125	(21,439)
Operations and maintenance	1,053,516	1,036,157	(17,359)
Business services	107,061	89,778	(17,283)
General administration services	631,386	610,684	(20,702)
All other functions	755,725	748,133	(7,592)
Total expenditures	**$ 6,763,068**	**$ 6,087,079**	**$ (675,989)**

Because the categorical awards described above fund specific positions and services, the expenditure shortfall is closely related to the revenue shortfall: budgeted programs that were not fully executed by year end produced neither the expenditure nor the corresponding revenue recognition. The $295,260 favorable variance in instruction and the $222,175 favorable variance in instructional staff services arise principally from positions that ended

during the year and were not replaced and, in instructional staff services, from positions that were not in place for the entire year; the appropriations had been amended to the full value of the related awards, which assumed a full year of staffing.

The $74,179 favorable variance in transportation reflects contracted route costs below the amount budgeted, consistent with the decline in enrollment during the year. The $20,702 favorable variance in general administration services includes the removal of $16,454 of prior year costs described in Note A.

NOTE D — EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2026, the Academy did not incur expenditures in the General Fund in excess of the amounts appropriated at the legal level of budgetary control. Actual expenditures were below the final amended appropriation in every budgeted function.