

Audited Financial Statements

Mount Clemens Montessori Academy

Mount Clemens, Michigan

June 30, 2025

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Independent Auditors' Report

Board of Directors and Management
Mt. Clemens Montessori Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mt. Clemens Montessori Academy (the "Academy"), as of and for the year ended June 30, 2025, 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, each major fund, and the aggregate remaining fund information of the Academy, as of June 30, 2025, 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 ("*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 to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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 budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 accompanying supplementary information, as identified in the Table of Contents, 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 GAAS. In our opinion, the supplementary 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 November 4, 2025 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.

CBIZ CPAs P.C.

Rochester, MI
November 4, 2025



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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**

To the Board of Directors and Management of
Mt. Clemens Montessori Academy

We have audited, in accordance with the 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*"), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Clemens Montessori Academy (the "Academy"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated November 4, 2025.

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

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

Report on Compliance and Other Matters

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

CBIZ CPAs P.C.

CBIZ CPAs P.C.
Rochester, MI

November 4, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

Mt. Clemens Montessori Academy is a Preschool through 5th grade Public School Academy located in Mt. Clemens, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be Mt. Clemens Montessori Academy administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2025.

FINANCIAL HIGHLIGHTS OF THE ACADEMY

Table 1 - Basic Financial Information

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$ 9,608	\$ 9,608
Enrollment	275.7	258.71
General Fund Balance Increase/(Decrease)	\$ 5,357	\$ 146,804
General Fund Balance as Percent of Unrestricted State Aid Revenue	45%	51%

OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

FUND FINANCIAL STATEMENTS:

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the fund level statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, the Academy’s major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statement, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financing source. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.

The Academy has one kind of fund:

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

ACADEMY - WIDE FINANCIAL STATEMENTS

The Academy-wide financial statements are maintained using the “full accrual” basis. They report all of the Academy’s assets and liabilities, both short and long term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-1 Organization of Mt. Clemens Montessori Academy Annual Financial Report

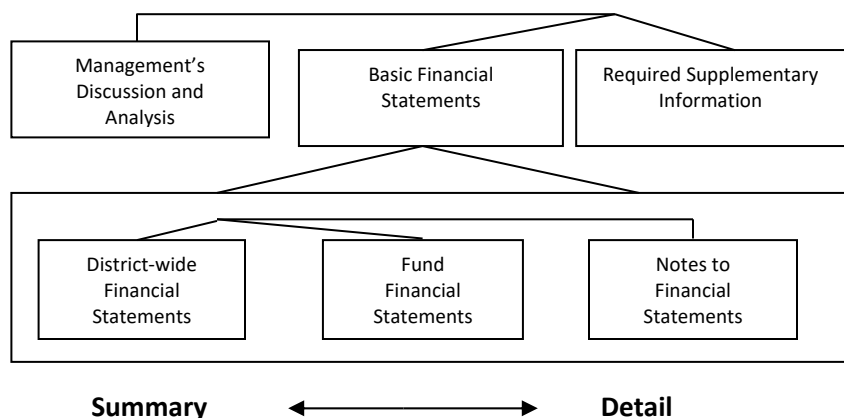


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Fund Financial Statements
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Table 2 - Financial Results

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$ 1,408,866	\$ 1,403,509
Total General Fund Revenue	\$ 3,677,822	\$ 3,618,460
State Aid Foundation Allowance as percent of Academy Revenues	84%	76%
Total Cost of Instructional Programs	\$ 1,978,469	\$ 1,920,351
Instructional Expenditures as percent of Total Expenditures	54%	55%
Total Cost of Support/Operational Services	\$ 1,691,496	\$ 1,549,789
Support/Operational Services as percent of Total Expenditures	46%	45%
Total Expenditures transferred to Debt Service	\$ -	\$ -
Transfer to Debt Service as percent of Total Expenditures	0%	0%

ACADEMY GOVERNMENTAL ACTIVITIES

Summary of Net Position

The following summarizes the net position at fiscal year ended June 30, 2025 and 2024:

Table 3 - Net Position Detail

	2025	2024
Assets		
Current Assets	\$ 2,226,637	\$ 1,902,408
Capital Assets	3,430,267	3,394,949
Less: Accumulated Depreciation	(828,938)	(714,729)
Capital Assets, Net Book Value	2,601,329	2,680,220
Total Assets	\$ 4,827,966	\$ 4,582,628
Liabilities		
Current Liabilities	\$ 1,071,175	\$ 771,256
Long-term Liabilities	877,156	1,171,690
Total Liabilities	\$ 1,948,331	\$ 1,942,946
Net Position		
Net Investment in Capital Assets	\$ 1,429,640	\$ 1,229,723
Restricted	19,669	6,961
Unrestricted	1,430,326	1,402,998
Total Net Position	\$ 2,879,635	\$ 2,639,682

Results of Operations:

For the fiscal year ended June 30, 2025 and 2024, the Academy wide results of operations were:

Table 4 - Change in Net Position

	2025		2024	
	Amount	% of Total	Amount	% of Total
General Revenue:				
State of Michigan Aid - All Sources	\$ 2,878,869	73.05%	\$ 2,538,029	68.08%
Other	94,239	2.39%	113,091	3.03%
Total General Revenue	2,973,108	75.45%	2,651,120	71.11%
Program Revenue:				
Charges for Services	252,479	6.41%	275,660	7.39%
Operating Grants - Federal and State	715,122	18.15%	801,182	21.49%
Total Program Revenue	967,601	24.55%	1,076,842	28.89%
Total Revenue	3,940,709	100.00%	3,727,962	100.00%
Expenses:				
Instruction and Instructional Services	1,978,469	53.46%	1,920,351	55.94%
Support Services	1,153,887	31.18%	1,030,487	30.02%
Food Service	202,440	5.47%	92,525	2.70%
Community Services	179,032	4.84%	187,810	5.47%
Unallocated Depreciation/Amortization	114,209	3.09%	114,382	3.33%
Interest on Long-term Debt	72,719	1.96%	87,614	2.55%
Total Expenses	3,700,756	100.00%	3,433,169	100.00%
Change in Net Position	<u>\$ 239,953</u>		<u>\$ 294,793</u>	

During the fiscal year ended June 30, 2025, the Academy's net position increased by \$239,953. The most significant difference between prior year and current year is the total general fund revenue increased and total general fund expenditures decreased.

State of Michigan Aid and Other Factors Affecting Revenue

The State of Michigan aid is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. Mt. Clemens Montessori Academy's foundation allowance was \$9,608.
- Student Enrollment: The Academy's student enrollment for the fall count of 2024-25 was 276 students. To calculate total state aid to be provided by the foundation allowance, a system (Section 25) where the funding follows the student was used. This means adjustments were made to the current year fall count when students enrolled or un-enrolled until the current year winter count to calculate the adjusted fall count. A blend of 90% of the adjusted current year fall count and 10% of the prior year spring count is multiplied by the Academy's foundation allowance.
- Total Section 25 adjustment was .85 FTE or \$8,166.
- Additional federal funding was available during the 2024-25 fiscal year to supplement programs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Academy revised the annual operating budget twice.

Changes were made in the second and fourth quarters to account for student enrollment, federal funding, and changes in assumptions (e.g. staffing changes, instructional, transportation, food services and community services) since the original budget was adopted.

The Academy's revenues from General Fund operations were higher than expenditures by \$5,357 for the fiscal year ended June 30, 2025.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Academy's net investment in capital assets decreased by \$78,891 during the fiscal year.

Table 5 - Capital Assets

	Beginning Balance 6/30/24	Additions	Disposals	Ending Balance 6/30/25
Building and Improvements	\$ 3,228,467	\$ 35,318	\$ -	\$ 3,263,785
Furniture and Equipment	166,482	-	-	166,482
Less: Accumulated Depreciation	714,729	114,209	-	828,938
Capital Assets, net	\$ 2,680,220	\$ (78,891)	\$ -	\$ 2,601,329

Depreciation Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets in the entity wide financial statements. Depreciation is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy's financial statements.

For fiscal year ended June 30, 2025, the net increase in accumulated depreciation was \$114,209.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

Debt, Principal Payments

A summary of long-term debt service activities is as follows.

Table 6 - Debt, Principal Payments

	Balance 6/30/2024	New Financings	Principal Payments	Balance 6/30/2025
Land Contract	\$ 1,450,496	\$ -	\$ 278,807	\$ 1,171,689

ECONOMIC FACTORS BEARING ON THE ACADEMY’S FUTURE

The Preliminary Budget for the 2025-26 Fiscal Year was adopted by the Board of Directors in June 2025. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management’s best estimates given the limited information available. Some key factors and estimates used in the 2025-26 budget preparation process include:

- Conservative enrollment projections of 275 students in grades K-5.
- State Aid Foundation was budgeted with a \$100 per pupil increase.
- Continued improvement of academic achievement through changes in academic programs.

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 School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State’s available resources will be throughout the remainder of its fiscal year. Despite the current economic uncertainties, we remain cautiously confident that the State will find the resources to sufficiently fund current appropriations.

CONTACTING THE ACADEMY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy’s finances and to demonstrate the Academy’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy’s office at 1070 Hampton Rd., Mt. Clemens, Michigan 48043.

MOUNT CLEMENS MONTESSORI ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2025

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,642,424
Due from other governmental units	572,312
Prepaid expenses	<u>11,901</u>
Total current assets	2,226,637

Capital Assets - Net of Accumulated Depreciation / Amortization

2,601,329

Total assets	<u><u>\$ 4,827,966</u></u>
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LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 24,328
Unearned revenue	427,611
Other accrued liabilities	324,703
Long-term debt - current portion	<u>294,533</u>
Total current liabilities	1,071,175

Long-Term Debt - Long-Term Portion

877,156

Net Position

Net investment in capital assets	1,429,640
Restricted	19,669
Unrestricted	<u>1,430,326</u>
Total net position	<u>2,879,635</u>
Total liabilities and net position	<u><u>\$ 4,827,966</u></u>

See accompanying notes to financial statements

MOUNT CLEMENS MONTESSORI ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
				Government
	Expenses	Charges for Services	Operating Grants	Type Activities
Functions				
Instruction				
Basic programs	\$ 1,671,416	\$ -	\$ 195,226	\$ (1,476,190)
Added needs	307,053	-	306,299	(754)
Support Services				
Pupil support services	144,113	-	-	(144,113)
Instructional staff support services	8,806	-	7,150	(1,656)
General administration	376,540	-	-	(376,540)
School administration	311,621	-	-	(311,621)
Business support services	1,812	-	-	(1,812)
Operations and maintenance	243,210	-	-	(243,210)
Central support services	39,419	-	-	(39,419)
Other student activities	28,366	29,602	-	1,236
Food services	202,440	4,965	206,447	8,972
Community services	179,032	217,912	-	38,880
Unallocated depreciation / amortization	114,209	-	-	(114,209)
Unallocated interest	72,719	-	-	(72,719)
Total primary government	<u>\$ 3,700,756</u>	<u>\$ 252,479</u>	<u>\$ 715,122</u>	<u>(2,733,155)</u>
General Purpose Revenues				
State school aid - unrestricted				2,878,869
Miscellaneous revenues				94,239
Total general purpose revenues				<u>2,973,108</u>
Change in net position				239,953
Net position - July 1, 2024				<u>2,639,682</u>
Net position - June 30, 2025				<u>\$ 2,879,635</u>

See accompanying notes to financial statements

MOUNT CLEMENS MONTESSORI ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2025

ASSETS

	<u>General</u>	<u>Non-Major</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,634,248	\$ 8,176	\$ 1,642,424
Due from other governmental units	572,312	-	572,312
Due from other funds	-	11,493	11,493
Prepaid expenses	<u>11,901</u>	<u>-</u>	<u>11,901</u>
 Total assets	 <u>\$ 2,218,461</u>	 <u>\$ 19,669</u>	 <u>\$ 2,238,130</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

Liabilities

Accounts payable	\$ 24,328	\$ -	\$ 24,328
Due to other funds	11,493	-	11,493
Unearned revenue	427,611	-	427,611
Other accrued liabilities	<u>324,290</u>	<u>-</u>	<u>324,290</u>
 Total liabilities	 787,722	 -	 787,722

Deferred Inflows of Resources - Unavailable Revenue

21,873	-	21,873
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Fund Balance

Nonspendable	11,901	-	11,901
Restricted	-	19,669	19,669
Assigned	495,435	-	495,435
Unassigned	<u>901,530</u>	<u>-</u>	<u>901,530</u>
 Total fund balance	 <u>1,408,866</u>	 <u>19,669</u>	 <u>1,428,535</u>

Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,218,461</u>	<u>\$ 19,669</u>	<u>\$ 2,238,130</u>
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See accompanying notes to financial statements

MOUNT CLEMENS MONTESSORI ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2025

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

Total Governmental Fund Balances	\$ 1,428,535
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,430,267 and the accumulated depreciation / amortization is \$828,938.	2,601,329
Deferred inflows of resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position.	21,873
Interest is not payable until due in governmental activities, and, therefore, is not recorded in the funds.	(413)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,171,689)</u>
Net Position of Governmental Activities	<u><u>\$ 2,879,635</u></u>

See accompanying notes to financial statements

MOUNT CLEMENS MONTESSORI ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2025

	<u>General</u>	<u>Non-Major</u>	<u>Total</u>
Revenues			
Local sources	\$ 312,150	\$ 34,567	\$ 346,717
State sources	3,103,447	82,818	3,186,265
Federal sources	84,876	123,629	208,505
Interdistrict sources	<u>177,349</u>	<u>-</u>	<u>177,349</u>
Total governmental fund revenues	3,677,822	241,014	3,918,836
Expenditures			
Instruction			
Basic programs	1,671,416	-	1,671,416
Added needs	307,053	-	307,053
Support Services			
Pupil support services	144,113	-	144,113
Instructional staff support services	8,806	-	8,806
General administration	376,540	-	376,540
School administration	311,621	-	311,621
Business support services	1,812	-	1,812
Operations and maintenance	243,210	-	243,210
Central support services	39,419	-	39,419
Other student activities	-	28,366	28,366
Food services	-	202,440	202,440
Community services	179,032	-	179,032
Capital outlay	35,318	-	35,318
Debt principal and interest	<u>351,625</u>	<u>-</u>	<u>351,625</u>
Total governmental fund expenditures	<u>3,669,965</u>	<u>230,806</u>	<u>3,900,771</u>
Excess of revenues over expenditures	7,857	10,208	18,065
Other Financing Sources (Uses)			
Operating transfers in	-	2,500	2,500
Operating transfers out	<u>(2,500)</u>	<u>-</u>	<u>(2,500)</u>
Total other financing sources (uses)	<u>(2,500)</u>	<u>2,500</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other uses	5,357	12,708	18,065
Fund balance - July 1, 2024	<u>1,403,509</u>	<u>6,961</u>	<u>1,410,470</u>
Fund balance - June 30, 2025	<u><u>\$ 1,408,866</u></u>	<u><u>\$ 19,669</u></u>	<u><u>\$ 1,428,535</u></u>

See accompanying notes to financial statements

MOUNT CLEMENS MONTESSORI ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

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

Net Change in Fund Balances - Total Governmental Funds	\$	18,065
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	35,318	
Depreciation and amortization expense		<u>(114,209)</u>	(78,891)

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end		21,873
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$	278,807	
Interest expense		<u>99</u>	<u>278,906</u>

Change in Net Position of Governmental Activities	\$	<u>239,953</u>
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See accompanying notes to financial statements

MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Mt. Clemens Montessori Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Mt. Clemens Montessori Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, and began operation in July 2003.

In June 2019, the Academy extended a contract for an additional eight years through June 30, 2027 with the Bay Mills Community College’s Board of Regents to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The College’s Board of Regents is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays the Bay Mills Community College’s Board of Regents three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2025 were approximately \$102,900.

In June 2019, the Academy extended an agreement with CS Partners, LLC (“CSP”) and CSP Management Inc. (“CSPM”) (related entities) for an additional eight years through June 30, 2027. Under the terms of the agreement, CSP provides a variety of services including financial management, educational programs, and consulting, as well as staff training. The Academy is obligated to pay CSP eight percent of its state aid revenue through June 30, 2024 and 9% of its state aid revenue July 1, 2024 through June 30, 2027. At no time will the fee be less than \$80,000. Under the terms of the agreement, CSPM employs teachers, administrators, and other staff who are assigned to the Academy. All employment costs and costs incurred in providing the educational programs at the Academy are reimbursed by the Academy to CSPM. Fees paid under this contract amounted to approximately \$247,700 for the year ended June 30, 2025.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in a report, into generic fund types in two broad fund categories.

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund (Food Services) - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the food services fund will be covered by an operating transfer from the general fund.

Special Revenue Fund (Student Activities) – The Academy presently maintains an activity fund to record the transactions of student groups for school and school-related purposes. The student activity fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the student activities fund will be covered by an operating transfer from the general fund.

Debt Service Fund - The debt service fund, which the Academy does not currently maintain, is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorial types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.

MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

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

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

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized

MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments during the year ended June 30, 2025. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Due from other governmental units at June 30, 2025 consists primarily of state school aid due from the State of Michigan and the federal government. All receivables, except for the deferred inflow of \$21,873 were fully collected in July and August of 2025 and are considered measurable and available for the purposes of these financial statements.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy defines capital assets as assets with an initial individual cost in excess of \$5,000. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land and construction in progress, when applicable, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Depreciation and amortization are computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 20 years
Computers and software	3 – 10 years

MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position is displayed in the following three components:

Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization and reduced by any outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of Net investment in capital assets or Restricted.

Fund Balance

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

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts that can only be used for specific purposes pursuant to specific purposes imposed by formal action of the Academy's highest level of decision-making authority, the Board. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that include the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Leases

Leases and Subscription Based IT Arrangements (SBITA)

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

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

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Estimates

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

Implemented and Upcoming Accounting Pronouncements

The Academy implemented the following GASB pronouncements during the school year: GASB Statement No. 101, Compensated Absences and GASB Statement No. 102, Certain Risk Disclosures. These pronouncements did not impact the financial statements during the current school year.

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;

MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2025 the budget was amended in a legally permissible manner. See page 19 of these financial statements for a comparison of final budgeted and board approved appropriations to actual expenditures.

MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2025, the Academy did not hold any investments.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2025, the Academy did not hold any investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2025, \$1,393,276 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2025.

Custodial Credit Risk - Investments

For an investment, this 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 that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business. As of June 30, 2025, the Academy did not hold any investments.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS – Continued

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy’s own data.)

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

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 550,439
Federal sources	<u>21,873</u>
Total	<u>\$ 572,312</u>

MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Capital assets subject to depreciation / amortization				
Building & improvements	\$ 3,228,467	\$ 35,318	\$ -	\$ 3,263,785
Furniture and equipment	166,482	-	-	166,482
Sub-total	3,394,949	35,318	-	3,430,267
Accumulated depreciation				
Building & improvements	548,247	114,209	-	662,456
Furniture and equipment	166,482	-	-	166,482
Sub-total	714,729	114,209	-	828,938
Total net capital assets	<u>\$ 2,680,220</u>	<u>\$ (78,891)</u>	<u>\$ -</u>	<u>\$ 2,601,329</u>

Depreciation and amortization expense is reported as unallocated in the Statement of Activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 – OTHER ACCRUED LIABILITIES

Other accrued liabilities may be summarized as follows:

Purchased services - payroll and benefits	\$ 288,261
University oversight fee	16,609
Other accrued expenditures	19,420
Interest	413
Total other accrued liabilities	<u>\$ 324,703</u>

MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 7 – LONG-TERM OBLIGATION PAYABLE

The following is a summary of long-term obligations for the Academy during year ended June 30, 2025:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Land contract	5.50%	March, 2029	Payable in monthly installments of \$29,302 including interest. Secured by facilities.

Loan Activity

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>
Land contract	<u>\$ 1,450,496</u>	<u>\$ -</u>	<u>\$ 278,807</u>	<u>\$ 1,171,689</u>	<u>\$ 294,533</u>

The following are maturities of long-term obligations for principal and interest for the next four years and in total:

	<u>Principal</u>	<u>Interest</u>
2026	\$ 294,533	\$ 57,092
2027	311,147	40,478
2028	328,699	22,927
2029	237,310	5,084

NOTE 8 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since its inception.

REQUIRED SUPPLEMENTARY INFORMATION

MOUNT CLEMENS MONTESSORI ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 260,000	\$ 268,800	\$ 312,150	\$ 43,350
State sources	2,784,151	3,129,126	3,103,447	(25,679)
Federal sources	100,123	112,486	84,876	(27,610)
Interdistrict sources	160,000	176,000	177,349	1,349
	<hr/>	<hr/>	<hr/>	<hr/>
Total general fund revenues	3,304,274	3,686,412	3,677,822	(8,590)
Expenditures				
Instruction				
Basic programs	1,610,893	1,569,775	1,671,416	101,641
Added needs	272,262	298,973	307,053	8,080
Support Services				
Pupil support services	136,040	160,040	144,113	(15,927)
Instructional staff support services	35,351	29,281	8,806	(20,475)
General administration	333,182	382,027	376,540	(5,487)
School administration	272,024	307,057	311,621	4,564
Business support services	2,000	2,300	1,812	(488)
Operations and maintenance	296,055	302,728	243,210	(59,518)
Central support services	57,540	57,540	39,419	(18,121)
Community services	172,759	167,899	179,032	11,133
Capital outlay	10,000	40,000	35,318	(4,682)
Debt principal and interest	351,625	351,625	351,625	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total general fund expenditures	3,549,731	3,669,245	3,669,965	720
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(245,457)	17,167	7,857	(9,310)
Other Financing Sources (Uses)				
Operating transfers out	(3,000)	-	(2,500)	(2,500)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(248,457)	17,167	5,357	(11,810)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - July 1, 2024	1,403,509	1,403,509	1,403,509	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2025	<u>\$ 1,155,052</u>	<u>\$ 1,420,676</u>	<u>\$ 1,408,866</u>	<u>\$ (11,810)</u>

SUPPLEMENTARY INFORMATION

MOUNT CLEMENS MONTESSORI ACADEMY

COMBINED BALANCE SHEET – NON-MAJOR FUNDS JUNE 30, 2025

ASSETS

	Special Revenue		Total
	Food Services	Student Activities	
Cash and cash equivalents	\$ -	\$ 8,176	\$ 8,176
Due from other funds	11,472	21	11,493
Total assets	<u>\$ 11,472</u>	<u>\$ 8,197</u>	<u>\$ 19,669</u>

LIABILITIES AND FUND BALANCE

Fund Balance			
Restricted	<u>\$ 11,472</u>	<u>\$ 8,197</u>	<u>\$ 19,669</u>

MOUNT CLEMENS MONTESSORI ACADEMY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NON-MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2025

	Special Revenue		
	Food Services	Student Activities	Total
Revenues			
Local sources	\$ 4,965	\$ 29,602	\$ 34,567
State sources	82,818	-	82,818
Federal sources	123,629	-	123,629
Total governmental fund revenues	211,412	29,602	241,014
Expenditures			
Other student activities	-	28,366	28,366
Food services	202,440	-	202,440
Total governmental fund expenditures	202,440	28,366	230,806
Excess of revenues over expenditures	8,972	1,236	10,208
Other Financing Sources (Uses)			
Operating transfers in	2,500	-	2,500
Excess of revenues and other financing sources over expenditures and other uses	11,472	1,236	12,708
Fund balance - July 1, 2024	-	6,961	6,961
Fund balance - June 30, 2025	\$ 11,472	\$ 8,197	\$ 19,669

MOUNT CLEMENS MONTESSORI ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

Local Sources

Other local revenues	\$ 312,150
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State Sources

At risk	151,491
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Special education	73,087
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State aid	<u>2,878,869</u>
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Total state sources	3,103,447
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Federal Sources

Title I	59,849
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Title II A	5,800
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Title IV	6,520
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Other program revenue	<u>12,707</u>
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Total federal sources	84,876
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Interdistrict Sources

<u>177,349</u>

Total general fund revenues	<u><u>\$ 3,677,822</u></u>
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MOUNT CLEMENS MONTESSORI ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2025

Basic Programs

Purchased services	\$ 1,599,337
Rentals	13,794
Supplies and materials	57,927
Non-depreciable capital assets	<u>358</u>
Total basic programs	1,671,416

Added Needs

Purchased services	293,291
Supplies and materials	<u>13,762</u>
Total added needs	307,053

Pupil Support Services

Psychological services	25,740
Speech pathology and audiology	78,800
Social work services	<u>39,573</u>
Total pupil support services	144,113

Instructional Staff Support Services

Purchased services	8,806
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General Administration

Purchased services	370,412
Other expenditures	<u>6,128</u>
Total general administration	376,540

School Administration

Purchased services	292,070
Supplies and materials	11,857
Other expenditures	<u>7,694</u>
Total school administration	311,621

MOUNT CLEMENS MONTESSORI ACADEMY

SCHEDULE OF EXPENDITURES - GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2025

Business Support Services

Other expenditures	1,812
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Operations and Maintenance

Purchased services	155,045
Repairs and maintenance	35,878
Supplies and materials	51,997
Non-depreciable capital assets	290

Total operations and maintenance	243,210
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Central Support Services

Purchased services	23,225
Supplies and materials	16,194

Total central support services	39,419
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Community Services

Purchased services	174,594
Supplies and materials	4,438

Total community services	179,032
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Capital Outlay

35,318

Debt Principal and Interest

351,625

Total general fund expenditures	\$ 3,669,965
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