

**Audited Financial Statements**

# **Mount Clemens Montessori Academy**

Mount Clemens, Michigan

**June 30, 2024**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of Mount 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 Mount Clemens Montessori Academy, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Mount Clemens Montessori 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 Mount Clemens Montessori Academy, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Mount Clemens Montessori 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 Mount Clemens Montessori 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 Mount Clemens Montessori 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 Mount Clemens Montessori 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 as detailed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Mount Clemens Montessori Academy’s basic financial statements. The accompanying additional supplementary information, as identified in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the additional supplementary information, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024, on our consideration of Mount Clemens Montessori 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 Mount Clemens Montessori 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 Mount Clemens Montessori Academy’s internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, MI  
October 29, 2024



**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  
of Mount Clemens Montessori Academy**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Clemens Montessori Academy, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Mount Clemens Montessori Academy's basic financial statements, and have issued our report thereon dated October 29, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mount Clemens Montessori Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mount Clemens Montessori Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Mount Clemens Montessori Academy's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mount Clemens Montessori 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, MI  
October 29, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Mt. Clemens Montessori Academy is a Preschool through 5<sup>th</sup> 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, 2024.

## FINANCIAL HIGHLIGHTS OF THE ACADEMY

Table 1 - Basic Financial Information

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$ 9,608	\$ 9,150
Enrollment	258.71	266.48
General Fund Balance Increase/(Decrease)	\$ 146,804	\$ 54,240
General Fund Balance as Percent of Unrestricted State Aid Revenue	51%	49%

## 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 Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. 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 financial resource. 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**

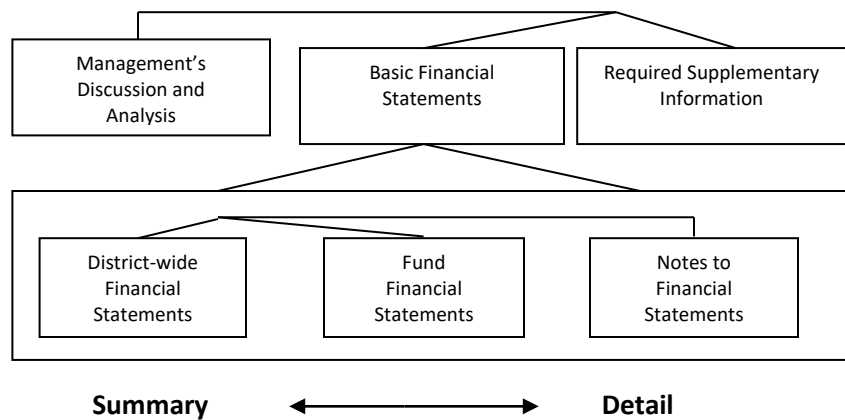


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

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

	<b>Academy-wide statements</b>	<b>Fund Financial Statements</b>
<b>Scope</b>	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary
<b>Required financial statements</b>	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	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	\$ 1,403,509	\$ 1,256,705
Total General Fund Revenue	\$ 3,618,460	\$ 3,407,111
State Aid Foundation Allowance as percent of Academy Revenues	76%	76%
Total Cost of Instructional Programs	\$ 1,920,351	\$ 1,681,529
Instructional Expenditures as percent of Total Expenditures	55%	50%
Total Cost of Support/Operational Services	\$ 1,549,789	\$ 1,671,342
Support/Operational Services as percent of Total Expenditures	45%	50%
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, 2024 and 2023:

Table 3 - Net Position Detail

	2024	2023
<b>Assets</b>		
Current Assets	\$ 1,902,408	\$ 1,673,422
Capital Assets	3,394,949	3,391,649
Less: Accumulated Depreciation	(714,729)	(600,347)
Capital Assets, Net Book Value	2,680,220	2,791,302
Total Assets	\$ 4,582,628	\$ 4,464,724
<b>Liabilities</b>		
Current Liabilities	\$ 771,256	\$ 669,338
Long-term Liabilities	1,171,690	1,450,497
Total Liabilities	\$ 1,942,946	\$ 2,119,835
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 1,229,723	\$ 1,076,886
Restricted	6,961	11,901
Unrestricted	1,402,998	1,256,102
Total Net Position	\$ 2,639,682	\$ 2,344,889

## Results of Operations:

For the fiscal year ended June 30, 2024 and 2023, the Academy wide results of operations were:

Table 4 - Change in Net Position

	2024		2023	
	Amount	% of Total	Amount	% of Total
<b>General Revenue:</b>				
State of Michigan Aid - All Sources	\$ 2,538,029	68.08%	\$ 2,465,711	70.69%
Other	113,091	3.03%	122,960	3.53%
Total General Revenue	2,651,120	71.11%	2,588,671	74.22%
<b>Program Revenue:</b>				
Charges for Services	275,660	7.39%	259,696	7.45%
Operating Grants - Federal and State	801,182	21.49%	639,596	18.34%
Total Program Revenue	1,076,842	28.89%	899,292	25.78%
Total Revenue	3,727,962	100.00%	3,487,963	100.00%
<b>Expenses:</b>				
Instruction and Instructional Services	1,920,351	55.94%	1,681,529	53.19%
Support Services	1,030,487	30.02%	1,017,544	32.19%
Food Service	92,525	2.70%	56,834	1.80%
Community Services	187,810	5.47%	198,264	6.27%
Unallocated Depreciation/Amortization	114,382	3.33%	105,717	3.34%
Interest on Long-term Debt	87,614	2.55%	101,530	3.21%
Total Expenses	3,433,169	100.00%	3,161,418	100.00%
Change in Net Position	<u>\$ 294,793</u>		<u>\$ 326,545</u>	

During the fiscal year ended June 30, 2024, the Academy's net position increased by \$294,793. 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 2023-24 was 259 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 2023-24 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 \$148,320 for the fiscal year ended June 30, 2024.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The Academy's net investment in capital assets increased by \$3,000 during the fiscal year.

Table 5 - Capital Assets

	Beginning Balance 6/30/23	Additions	Disposals	Ending Balance 6/30/24
Building and Improvements	\$ 3,225,167	\$ 3,300	\$ -	\$ 3,228,467
Furniture and Equipment	166,482	-	-	166,482
Less: Accumulated Depreciation	600,347	114,382	-	714,729
Capital Assets, net	<u>\$ 2,791,302</u>	<u>\$ (111,082)</u>	<u>\$ -</u>	<u>\$ 2,680,220</u>

### 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, 2024, the net increase in accumulated depreciation was \$114,382.

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 6/30/2023	New Financings	Principal Payments	Balance 6/30/2024
Land Contract	\$ 1,714,416	\$ -	\$ 263,919	\$ 1,450,497

## **ECONOMIC FACTORS BEARING ON THE ACADEMY’S FUTURE**

The Preliminary Budget for the 2024-25 Fiscal Year was adopted by the Board of Directors in June 2024. 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 stemming from the pandemic. Some key factors and estimates used in the 2024-25 budget preparation process include:

- Conservative enrollment projections of 256 students in grades K-6.
- State Aid Foundation was budgeted with a \$200 per pupil increase. Subsequent to year end the Foundation Allowance was not increased, but the Academy is receiving a one-time \$375 per pupil separate categorical – Section 22.
- 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, 2024

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 1,254,955
Due from other governmental units	606,563
Prepaid expenses	40,890
	<hr/>
Total current assets	1,902,408

#### Capital Assets - Net of Accumulated Depreciation / Amortization

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2,680,220

Total assets	<u><u>\$ 4,582,628</u></u>
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### LIABILITIES AND NET POSITION

#### Current Liabilities

Accounts payable	\$ 9,100
Unearned revenue	189,186
Other accrued liabilities	294,163
Long-term debt - current portion	278,807
	<hr/>
Total current liabilities	771,256

#### Long-Term Debt - Long-Term Portion

1,171,690

#### Net Position

Net investment in capital assets	1,229,723
Restricted	6,961
Unrestricted	1,402,998
	<hr/>
Total net position	2,639,682
	<hr/>
Total liabilities and net position	<u><u>\$ 4,582,628</u></u>

See accompanying notes to financial statements

## MOUNT CLEMENS MONTESSORI ACADEMY

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

		Program Revenues		Net (Expense) Revenues and Changes in Net Position Government Type Activities
	Expenses	Charges for Services	Operating Grants	
<b>Functions</b>				
Instruction				
Basic programs	\$ 1,639,873	\$ -	\$ 342,653	\$ (1,297,220)
Added needs	280,478	-	279,077	(1,401)
Support Services				
Pupil support services	130,931	-	130,931	-
Instructional staff support services	15,216	-	13,530	(1,686)
General administration	287,595	-	-	(287,595)
School administration	284,862	-	-	(284,862)
Business support services	2,175	-	-	(2,175)
Operations and maintenance	261,325	-	-	(261,325)
Central support services	24,950	-	-	(24,950)
Other student activities	23,433	20,928	-	(2,505)
Food services	92,525	53,583	34,991	(3,951)
Community services	187,810	201,149	-	13,339
Unallocated depreciation / amortization	114,382	-	-	(114,382)
Unallocated interest	87,614	-	-	(87,614)
	<u>\$ 3,433,169</u>	<u>\$ 275,660</u>	<u>\$ 801,182</u>	<u>(2,356,327)</u>
<b>General Purpose Revenues</b>				
State school aid - unrestricted				2,538,029
Miscellaneous revenues				113,091
				<u>2,651,120</u>
Change in net position				294,793
Net position - July 1, 2023				<u>2,344,889</u>
Net position - June 30, 2024				<u>\$ 2,639,682</u>

See accompanying notes to financial statements

# MOUNT CLEMENS MONTESSORI ACADEMY

## COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2024

### ASSETS

	General	Non-Major Student Activities	Total
Cash and cash equivalents	\$ 1,247,994	\$ 6,961	\$ 1,254,955
Due from other governmental units	606,563	-	606,563
Prepaid expenses	40,890	-	40,890
 Total assets	 \$ 1,895,447	 \$ 6,961	 \$ 1,902,408

### LIABILITIES AND FUND BALANCE

#### Liabilities

Accounts payable	\$ 9,100	\$ -	\$ 9,100
Unearned revenue	189,186	-	189,186
Other accrued liabilities	293,652	-	293,652
 Total liabilities	 491,938	 -	 491,938

#### Fund Balance

Nonspendable	40,890	-	40,890
Restricted	-	6,961	6,961
Assigned	248,456	-	248,456
Unassigned	1,114,163	-	1,114,163
 Total fund balance	 1,403,509	 6,961	 1,410,470
 Total liabilities and fund balance	 \$ 1,895,447	 \$ 6,961	 \$ 1,902,408

See accompanying notes to financial statements



**MOUNT CLEMENS MONTESSORI ACADEMY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION  
OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2024

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

<b>Total Governmental Fund Balances</b>	\$ 1,410,470
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,394,949 and the accumulated depreciation / amortization is \$714,729.	2,680,220
Interest is not payable until due in governmental activities, and, therefore, is not recorded in the funds.	(511)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,450,497)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 2,639,682</u>

## MOUNT CLEMENS MONTESSORI ACADEMY

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2024

	<u>General</u>	<u>Non-Major</u>	<u>Total</u>
<b>Revenues</b>			
Local sources	\$ 314,240	\$ 74,511	\$ 388,751
State sources	2,739,483	19,858	2,759,341
Federal sources	409,510	15,133	424,643
Interdistrict sources	155,227	-	155,227
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	3,618,460	109,502	3,727,962
<b>Expenditures</b>			
Instruction			
Basic programs	1,639,873	-	1,639,873
Added needs	280,478	-	280,478
Support Services			
Pupil support services	130,931	-	130,931
Instructional staff support services	15,216	-	15,216
General administration	287,595	-	287,595
School administration	284,862	-	284,862
Business support services	2,175	-	2,175
Operations and maintenance	261,325	-	261,325
Central support services	24,950	-	24,950
Other student activities	-	23,433	23,433
Food services	-	92,525	92,525
Community services	187,810	-	187,810
Capital outlay	3,300	-	3,300
Debt principal and interest	351,625	-	351,625
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	3,470,140	115,958	3,586,098
Excess (deficiency) of revenues over expenditures	148,320	(6,456)	141,864
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	1,516	1,516
Operating transfers out	(1,516)	-	(1,516)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(1,516)	1,516	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	146,804	(4,940)	141,864
Fund balance - July 1, 2023	1,256,705	11,901	1,268,606
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2024	<u>\$ 1,403,509</u>	<u>\$ 6,961</u>	<u>\$ 1,410,470</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, 2024

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	141,864
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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	\$	3,300	
Depreciation and amortization expense		<u>(114,382)</u>	(111,082)

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	\$	263,919	
Interest expense		<u>92</u>	<u>264,011</u>

<b>Change in Net Position of Governmental Activities</b>	\$	<u>294,793</u>
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# MOUNT CLEMENS MONTESSORI ACADEMY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

### **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, 2024 were approximately \$86,100.

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 \$182,000 for the year ended June 30, 2024.

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, 2024

## **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 this 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, 2024

### **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 brief 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, 2024

## **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, 2024. 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**

Accounts receivables and due from other governmental units at June 30, 2024 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2024 and are considered current for the purposes of these financial statements.

### **Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond June 30, 2024, 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, 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, 2024

## **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 displayed in the following three components: Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. 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 of regulations of other governments.

*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 significant 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 Equity**

The Academy has 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, 2024

### **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 constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- 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 are available for any purpose; these amounts are reported only in 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 judgements 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.

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.

# **MOUNT CLEMENS MONTESSORI ACADEMY**

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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.

### **Upcoming Accounting Pronouncements**

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal 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;

## **MOUNT CLEMENS MONTESSORI ACADEMY**

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

- 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;
- 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.

### **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, 2024 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, 2024

### **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, 2024, 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.

#### **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, 2024, \$1,016,146 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2024.

#### **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.

#### **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, 2024

## 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 the fair value measurement.

## NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 538,549
Federal sources	<u>68,014</u>
Total	<u><u>\$ 606,563</u></u>

## MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital assets subject to depreciation / amortization				
Building & improvements	\$ 3,225,167	\$ 3,300	\$ -	\$ 3,228,467
Furniture and equipment	166,482	-	-	166,482
Sub-total	3,391,649	3,300	-	3,394,949
Accumulated depreciation				
Building & improvements	434,203	114,044	-	548,247
Furniture and equipment	166,144	338	-	166,482
Sub-total	600,347	114,382	-	714,729
Total net capital assets	<u>\$ 2,791,302</u>	<u>\$ (111,082)</u>	<u>\$ -</u>	<u>\$ 2,680,220</u>

Depreciation and amortization expense was not charged to 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:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 262,034	\$ 262,034
University oversight fee	16,174	16,174
Other accrued expenditures	15,444	15,444
Interest	511	-
Total other accrued liabilities	<u>\$ 294,163</u>	<u>\$ 293,652</u>

## MOUNT CLEMENS MONTESSORI ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED JUNE 30, 2024

### NOTE 7 – LONG-TERM OBLIGATION PAYABLE

The following is a summary of long-term obligations for the Academy during year ended June 30, 2024:

#### 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, 2023</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
Land contract	\$ 1,714,416	\$ -	\$ 263,919	\$ 1,450,497	\$ 278,807

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

	<u>Principal</u>	<u>Interest</u>
2025	\$ 278,807	\$ 72,819
2026	294,533	57,092
2027	311,147	40,478
2028	328,699	22,927
2029	237,311	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.

# SUPPLEMENTARY INFORMATION



## MOUNT CLEMENS MONTESSORI ACADEMY

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Local sources	\$ 260,000	\$ 274,000	\$ 314,240	\$ 40,240
State sources	2,416,954	2,845,803	2,739,483	(106,320)
Federal sources	372,426	460,032	409,510	(50,522)
Interdistrict sources	160,000	160,000	155,227	(4,773)
	<u>3,209,380</u>	<u>3,739,835</u>	<u>3,618,460</u>	<u>(121,375)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	1,629,668	1,606,274	1,639,873	33,599
Added needs	249,845	335,428	280,478	(54,950)
Support Services				
Pupil support services	121,000	222,762	130,931	(91,831)
Instructional staff support services	11,184	32,530	15,216	(17,314)
General administration	282,768	311,670	287,595	(24,075)
School administration	245,110	271,500	284,862	13,362
Business support services	2,000	2,000	2,175	175
Operations and maintenance	235,375	286,467	261,325	(25,142)
Central support services	57,540	35,040	24,950	(10,090)
Community services	228,801	186,500	187,810	1,310
Capital outlay	-	14,500	3,300	(11,200)
Debt principal and interest	361,625	351,625	351,625	-
	<u>3,424,916</u>	<u>3,656,296</u>	<u>3,470,140</u>	<u>(186,156)</u>
Excess (deficiency) of revenues over expenditures	(215,536)	83,539	148,320	64,781
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(3,000)	(3,000)	(1,516)	1,484
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(218,536)	80,539	146,804	66,265
Fund balance - July 1, 2023	1,256,705	1,256,705	1,256,705	-
Fund balance - June 30, 2024	<u>\$ 1,038,169</u>	<u>\$ 1,337,244</u>	<u>\$ 1,403,509</u>	<u>\$ 66,265</u>

## MOUNT CLEMENS MONTESSORI ACADEMY

### COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NON-MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2024

	Special Revenue		Total
	Food Services	Student Activities	
<b>Revenues</b>			
Local sources	\$ 53,583	\$ 20,928	\$ 74,511
State sources	19,858	-	19,858
Federal sources	15,133	-	15,133
Interdistrict Sources	-	-	-
Total governmental fund revenues	88,574	20,928	109,502
<b>Expenditures</b>			
Support Services			
Other student activities	-	23,433	23,433
Food services	92,525	-	92,525
Total governmental fund expenditures	92,525	23,433	115,958
Excess (deficiency) of revenues over expenditures	(3,951)	(2,505)	(6,456)
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	1,516	-	1,516
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(2,435)	(2,505)	(4,940)
Fund balance - July 1, 2023	2,435	9,466	11,901
Fund balance - June 30, 2024	\$ -	\$ 6,961	\$ 6,961

# MOUNT CLEMENS MONTESSORI ACADEMY

## SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

### Local Sources

Other local revenues	\$ 314,240
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### State Sources

At risk	147,037
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Special education	54,417
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State aid	<u>2,538,029</u>
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Total state sources	2,739,483
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### Federal Sources

IDEA	14,765
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Title I	67,132
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Title II A	10,953
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Title IV	11,921
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Other program revenue	<u>304,739</u>
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Total federal sources	409,510
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### Interdistrict Sources

	<u>155,227</u>
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Total general fund revenues	<u><u>\$ 3,618,460</u></u>
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# MOUNT CLEMENS MONTESSORI ACADEMY

## SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

### Basic Programs

Purchased services	\$ 1,560,602
Rentals	16,119
Supplies and materials	61,720
Non-depreciable capital assets	<u>1,432</u>
Total basic programs	1,639,873

### Added Needs

Purchased services	280,478
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### Pupil Support Services

Psychological services	6,589
Speech pathology and audiology	60,011
Social work services	<u>64,331</u>
Total pupil support services	130,931

### Instructional Staff Support Services

Purchased services	15,216
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### General Administration

Purchased services	281,540
Other expenditures	<u>6,055</u>
Total general administration	287,595

### School Administration

Purchased services	264,820
Supplies and materials	11,613
Other expenditures	<u>8,429</u>
Total school administration	284,862

# MOUNT CLEMENS MONTESSORI ACADEMY

## SCHEDULE OF EXPENDITURES - GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2024

### **Business Support Services**

Other expenditures	2,175
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### **Operations and Maintenance**

Purchased services	145,536
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Repairs and maintenance	72,042
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Supplies and materials	43,747
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Total operations and maintenance	261,325
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### **Central Support Services**

Purchased services	18,955
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Supplies and materials	5,995
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Total central support services	24,950
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### **Community Services**

Purchased services	183,502
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Supplies and materials	4,083
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Other expenditures	225
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Total community services	187,810
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### **Capital Outlay**

3,300
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### **Debt Principal and Interest**

351,625
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Total general fund expenditures	<u>\$ 3,470,140</u>
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