



FIRST STATE MONTESSORI ACADEMY, INC.
(A Component Unit of the State of Delaware)
WILMINGTON, DELAWARE

FINANCIAL STATEMENTS

JUNE 30, 2025

FIRST STATE MONTESSORI ACADEMY, INC.
(A Component Unit of the State of Delaware)

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FIRST STATE MONTESSORI ACADEMY, INC.
(A Component Unit of the State of Delaware)

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INDEPENDENT AUDITOR'S REPORT

October 6, 2025

Board of Directors
First State Montessori Academy, Inc.
Wilmington, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of First State Montessori Academy, Inc., Wilmington, Delaware, a component unit of the State of Delaware, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise First State Montessori Academy, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of First State Montessori Academy, Inc., Wilmington, Delaware, as of June 30, 2025, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of First State Montessori Academy, Inc. 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.

Board of Directors
First State Montessori Academy, Inc.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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 First State Montessori Academy, Inc.'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 First State Montessori Academy, Inc.'s ability to continue as a going concern for a reasonable period of time.

Board of Directors
First State Montessori Academy, Inc.

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

Report on Summarized Comparative Information

We have previously audited First State Montessori Academy, Inc.'s 2024 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated October 14, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Notes 1 and 14 to the financial statements, First State Montessori Academy, Inc. has adopted the requirements of GASB Statement No. 101, "Compensated Absences." The purpose of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Our opinions were not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 and the budgetary comparison schedule - general fund, schedule of the School's proportionate share of the net pension liability, schedule of School pension contributions, schedule of the School's proportionate share of the net OPEB liability, and schedule of School OPEB contributions on pages 41 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise First State Montessori Academy, Inc.'s basic financial statements. The combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund

Board of Directors
First State Montessori Academy., Inc.

balances - general fund, and schedule of expenditures by natural classification - governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, and schedule of expenditures by natural classification - governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, and schedule of expenditures by natural classification - governmental funds 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 6, 2025, on our consideration of First State Montessori Academy, Inc.'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 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 First State Montessori Academy, Inc.'s internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
YEAR ENDED JUNE 30, 2025**

Our discussion and analysis of First State Montessori Academy, Inc.'s ("the School") financial performance provides an overview of the financial activities for the year ended June 30, 2025. Please read it in conjunction with the Independent Auditor's Report on pages 1 through 4 and the School's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

Fiscal year 2025 was the School's eleventh year of operations. During the year, the net position of the School increased by \$1,468,568, or 12.91%. Program revenues accounted for \$464,906, or 3.83% of total revenues. General revenues accounted for \$11,676,766, or 96.17% of total revenues. The governmental funds reported a positive fund balance of \$7,049,234, which represents an increase of \$993,185 from 2024.

REPORTING THE SCHOOL AS A WHOLE

The Statement of Net Position and Statement of Activities

One of the most important questions asked about School finances is, "Is the School better or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by private sector corporations. All of the year's revenues and expenses are taken into consideration regardless of when the cash is received or paid. These two statements report the School's net position and changes thereof. The change in net position provides the reader with a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment and facility conditions in arriving at their conclusion regarding the overall health of the School.

REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements of the School's major funds begin on page 16. These statements provide detailed information about the most significant funds and not the School as a whole. Certain funds are required to be established by State statute, while many other funds may be established by the School to help manage money for particular purposes and compliance with various grant provisions.

Governmental Funds

All of the School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These

**FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2025**

funds are reported using the modified accrual accounting method, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources available to spend in the near future to finance the School's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by \$9,910,358 at the close of the fiscal year. The largest portion of the School's total assets is cash and pooled cash (38.55%), and capital assets net of depreciation, (60.91%), the remaining of which is made up of accounts receivable (0.54%). The School uses capital assets to provide services; consequently, capital assets are not available for future spending.

A comparative net position analysis of fiscal years 2025 and 2024 follows:

**Table 1
NET POSITION
JUNE 30, 2025 AND 2024**

	Governmental Activities	
	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current and Other Assets:		
Cash and pooled cash	\$ 8,316,626	\$ 7,322,225
Due from other government	78,642	52,304
Other current assets	37,717	12,843
Total Current Assets	8,432,985	7,387,372
Noncurrent Assets:		
Capital assets, net of depreciation	13,142,314	12,776,360
Total Noncurrent Assets	13,142,314	12,776,360
TOTAL ASSETS	21,575,299	20,163,732

FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2025

Table 1
NET POSITION
JUNE 30, 2025 AND 2024

(cont'd)	Governmental Activities	
	2025	2024
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	2,072,215	2,284,791
Deferred outflows - OPEB	3,275,185	4,328,246
Total Deferred Outflows of Resources	5,347,400	6,613,037
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 26,922,699	 26,776,769
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
Current Liabilities:		
Compensated absences	\$ 67,727	\$ 45,044
Accounts payable	11,916	33,171
Accrued interest payable	240,500	243,750
Accrued salaries and related costs	1,293,193	1,245,848
Current portion of long-term debt	246,432	236,432
Total Current Liabilities	1,859,768	1,804,245
Noncurrent Liabilities:		
Compensated absences	16,932	11,262
Long-term debt, net	13,346,527	13,592,959
Net pension liability	2,868,819	2,935,981
Net OPEB liability	14,400,912	14,910,718
Total Noncurrent Liabilities	30,633,190	31,450,920
 TOTAL LIABILITIES	 32,492,958	 33,255,165
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	22,528	-
Deferred inflows - OPEB	4,317,571	4,900,530
Total Deferred Inflows of Resources	4,340,099	4,900,530
 NET POSITION (DEFICIT)		
Net investment in capital assets	1,237,351	569,120
Unrestricted (deficit)	(11,147,709)	(11,948,046)
 TOTAL NET POSITION (DEFICIT)	 \$ (9,910,358)	 \$ (11,378,926)

**FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2025**

Table 2, which follows, reflects the School's revenues received by funding source and how the funding received was expended by function for fiscal years 2025 and 2024.

**Table 2
CHANGES IN NET POSITION
FISCAL YEARS ENDED JUNE 30, 2025 AND 2024**

	Governmental Activities	
	2025	2024
REVENUES		
General revenue:		
Charges to school districts	\$ 3,641,116	\$ 3,364,981
Payments from primary government	7,600,369	6,744,711
Earnings on cash and pooled cash	435,281	85,240
Program revenue:		
Charges for services	121,115	168,250
Operating grants and contributions	343,791	634,765
TOTAL REVENUES	12,141,672	10,997,947
EXPENSES		
Instructional services	7,092,698	7,474,562
Support services:		
Operation and maintenance of facilities	2,291,046	2,133,636
Transportation	635,160	640,382
Food service	130,382	137,445
Interest and financing costs on long-term debt	523,818	535,319
TOTAL EXPENSES	10,673,104	10,921,344
CHANGE IN NET DEFICIT	\$ 1,468,568	\$ 76,603

Governmental Activities

The net position of the School's governmental activities increased by \$1,468,568, and net position reflects a negative balance of \$9,910,358. The increase in net position is primarily the result of changes in the School's proportionate share of the net pension liability and OPEB liability.

The statement of activities shows the cost of program services and the charges for services, and grants and contributions offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental

**FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2025**

activities. General revenues, which include charges to school districts, state aid not restricted for specific purposes, earnings on cash and pooled cash, and other local revenues, must support the net cost of the programs.

	2025		2024	
	Total Cost	Net Cost	Total Cost	Net Cost
<i>Governmental Activities</i>				
Instructional services	\$ 7,092,698	\$ 6,725,118	\$ 7,474,562	\$ 6,739,101
Support services:				
Operation and maintenance of facilities	2,291,046	2,291,046	2,133,636	2,133,636
Transportation	635,160	635,160	640,382	640,382
Food service	130,382	33,056	137,445	69,891
Interest and financing costs on long-term debt	523,818	523,818	535,319	535,319
Total Expenses	<u>\$ 10,673,104</u>	<u>\$ 10,208,198</u>	<u>\$ 10,921,344</u>	<u>\$ 10,118,329</u>

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$10,208,198 of support.

THE SCHOOL'S FUNDS

The general fund (as presented on the balance sheet on page 16) reported a fund balance of \$5,361,238, which represents an increase of \$927,340 from the prior year fund balance amount of \$4,433,898. The capital projects fund reported a fund balance of \$1,687,996, which represents an increase of \$65,845 from the prior year fund balance amount of \$1,622,151. The general fund and capital projects fund together make up the School's governmental funds. The schedule below presents the makeup of the total governmental fund balance amount at year end.

	Governmental Funds	
	2025	2024
FUND BALANCE		
Restricted	\$ 1,687,996	\$ 1,622,151
Unassigned	5,361,238	4,433,898
Total Fund Balance	<u>\$ 7,049,234</u>	<u>\$ 6,056,049</u>

The table that follows assists in illustrating the financial activities and balance of the governmental funds.

**FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2025**

REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

	2025	2024
REVENUES		
Charges to school districts	\$ 3,641,116	\$ 3,364,981
State aid	7,574,031	6,744,711
Federal aid	259,834	339,197
Earnings on cash and pooled cash	435,281	85,240
Food service revenue	97,326	67,554
Contributions	367,907	295,568
School programs	92,725	100,696
TOTAL REVENUES	12,115,334	10,997,947
EXPENDITURES		
Current:		
Instructional services	6,932,835	6,785,736
Operation and maintenance of facilities	2,029,397	1,736,442
Transportation	635,160	640,382
Food service	130,382	137,445
Capital outlays:		
Property	630,875	5,781
Debt service:		
Principal	180,000	175,000
Interest	581,000	590,001
Financing costs	2,500	2,500
TOTAL EXPENDITURES	11,122,149	10,073,287
NET CHANGE IN FUND BALANCE	993,185	924,660
FUND BALANCE, BEGINNING OF YEAR	6,056,049	5,131,389
FUND BALANCE, END OF YEAR	\$ 7,049,234	\$ 6,056,049

The largest revenue reported by the School for the year was for aid received from the State of Delaware, accounting for 62.52% of total revenues. Charges to local school districts for students attending the School was also significant, accounting for 30.05%.

The largest portions of general fund expenditures are for personnel costs, which include salaries and related employment costs. The School is a service-oriented organization and, as such, is very labor intensive.

**FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2025**

GENERAL FUND BUDGET INFORMATION

The most significant budgeted fund is the general fund, which is presented on the modified accrual basis of accounting. The School may amend its revenue and expenditure estimates periodically due to changing conditions.

The following are explanations for the more significant variances between budget and actual revenues and expenditures as shown on page 41.

Revenues

Federal Aid

A favorable variance of \$10,226 was realized due to unexpected federal funding being received under the Federal Charter Schools Program.

Food Service

An unfavorable variance of \$32,674 was realized due to a decrease in current enrollment and lunches served.

Charges to School Districts

An unfavorable variance of \$194,507 was realized due to current year changes in enrollment.

State Aid

A favorable variance of \$182,853 was realized due to unexpected state funding being received under the State Charter Schools Program.

Contributions

A favorable variance of \$191,052 was realized due to more interest from the state being received.

Expenditures

Salaries

A favorable variance of \$180,056 was realized primarily due to fewer staff added than expected during the year.

Contractual Services

A favorable variance of \$210,667 was realized primarily due to a decrease in professional services needed during the year.

FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2025

Professional Development

A favorable variance of \$2,510 was realized primarily due to increased professional development opportunities for School staff during the year.

Insurance

An unfavorable variance of \$17,887 was realized primarily due to increased premiums during the year.

Public Utilities Services

An unfavorable variance of \$29,564 was realized due to increased electric usage during the year.

Communications

An unfavorable variance of \$7,849 was realized due to increased telecommunication costs during the year.

Supplies and Materials

An unfavorable variance of \$99,252 is due to increased need for supplies during the year than initially budgeted.

Repairs and Maintenance

An unfavorable variance of \$71,590 is due to increased need for repairs during the year than initially budgeted.

CAPITAL ASSETS

The School has \$13,142,314 invested in capital assets, net of depreciation. Detailed information regarding capital assets is reflected in Note 3 of the financial statements.

DEBT OBLIGATIONS

As of June 30, 2025, the School had total outstanding debt of \$13,592,959, including the unamortized premium, in the form of Revenue Bonds, Series of 2019.

Other obligations include the School's proportionate share of the net pension and OPEB liabilities. More detailed information about long-term liabilities is included in Notes 5, 6, and 7 to the financial statements, respectively.

**FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2025**

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The School opened in August 2014 with 280 students, and the School continues to grow. Management anticipates that revenue and expenses will increase as a result of the future growth and has developed a budget to support the identified growth. The School has identified a continued need to provide students with additional support services and educational programs. Many of these programs will require additional resources not adequately funded with federal, state, or local district revenue. Also, potential cutbacks in educational spending at the federal, state, and local level could impact the School's financial resources to meet the State's accountability requirements. In anticipation of these events, the School is taking steps to increase the percentage of funding from nongovernmental resources.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our fellow citizens, customers, investors, and creditors with a general overview of the School's finances and to show the School's accountability for the funding received. If you have questions about this report or need additional financial information, contact the School's Finance Office at (302) 576-1500.

BASIC FINANCIAL STATEMENTS

FIRST STATE MONTESSORI ACADEMY, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2025 AND 2024

	Governmental Activities	
	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and pooled cash	\$ 8,316,626	\$ 7,322,225
Due from other government	78,642	52,304
Accounts receivable	37,717	12,843
Total Current Assets	8,432,985	7,387,372
NONCURRENT ASSETS:		
Capital assets, net of depreciation	13,142,314	12,776,360
Total Noncurrent Assets	13,142,314	12,776,360
TOTAL ASSETS	21,575,299	20,163,732
 DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows - pension	2,072,215	2,284,791
Deferred outflows - OPEB	3,275,185	4,328,246
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,347,400	6,613,037
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 26,922,699	\$ 26,776,769
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Compensated absences	\$ 67,727	\$ 45,044
Accounts payable	11,916	33,171
Accrued interest payable	240,500	243,750
Accrued salaries and related costs	1,293,193	1,245,848
Current portion of long-term debt	246,432	236,432
Total Current Liabilities	1,859,768	1,804,245
NONCURRENT LIABILITIES:		
Compensated absences	16,932	11,262
Long-term debt, net	13,346,527	13,592,959
Net pension liability	2,868,819	2,935,981
Net OPEB liability	14,400,912	14,910,718
Total Noncurrent Liabilities	30,633,190	31,450,920
TOTAL LIABILITIES	32,492,958	33,255,165
 DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows - pension	22,528	-
Deferred inflows - OPEB	4,317,571	4,900,530
TOTAL DEFERRED INFLOWS OF RESOURCES	4,340,099	4,900,530
 NET POSITION (DEFICIT):		
Net investment in capital assets	1,237,351	569,120
Unrestricted (deficit)	(11,147,709)	(11,948,046)
TOTAL NET DEFICIT	(9,910,358)	(11,378,926)
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 26,922,699	\$ 26,776,769

The accompanying notes are an integral part of these financial statements.

FIRST STATE MONTESSORI ACADEMY, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025
(With Summarized Comparative Data for June 30, 2024)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>	
			<u>2025</u>	<u>2024</u>
ASSETS				
Cash and pooled cash	\$ 6,628,630	\$ 1,687,996	\$ 8,316,626	\$ 7,322,225
Accounts receivable	<u>37,717</u>	<u>-</u>	<u>37,717</u>	<u>12,843</u>
TOTAL ASSETS	<u>\$ 6,666,347</u>	<u>\$ 1,687,996</u>	<u>\$ 8,354,343</u>	<u>\$ 7,335,068</u>
 LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ 11,916	\$ -	\$ 11,916	\$ 33,171
Accrued salaries and related benefits	<u>1,293,193</u>	<u>-</u>	<u>1,293,193</u>	<u>1,245,848</u>
Total Liabilities	<u>1,305,109</u>	<u>-</u>	<u>1,305,109</u>	<u>1,279,019</u>
 FUND BALANCE:				
Restricted	-	1,687,996	1,687,996	1,622,151
Unassigned	<u>5,361,238</u>	<u>-</u>	<u>5,361,238</u>	<u>4,433,898</u>
Total Fund Balance	<u>5,361,238</u>	<u>1,687,996</u>	<u>7,049,234</u>	<u>6,056,049</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,666,347</u>	<u>\$ 1,687,996</u>	<u>\$ 8,354,343</u>	<u>\$ 7,335,068</u>

The accompanying notes are an integral part of these financial statements.

**FIRST STATE MONTESSORI ACADEMY, INC.
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2025**

FUND BALANCE - GOVERNMENTAL FUNDS \$ 7,049,234

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position. 13,142,314

Long-term assets and liabilities applicable to the governmental activities are not due, receivable, and or payable in the current period and, therefore, are not reported as fund liabilities. Those assets and liabilities consist of:

Due from other government	\$ 78,642	
Compensated absences	(84,659)	
Long-term debt, net	(13,592,959)	
Accrued interest payable	(240,500)	
Net pension liability	(2,868,819)	
Net OPEB liability	<u>(14,400,912)</u>	(31,109,207)

Deferred inflows and outflows related to the School's net pension liability are based on the differences between actual and projected investment returns, differences between actual and expected experience, changes in actuarial assumptions, changes in the actuarially determined proportion of the School's share the total liability, and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows - pension	2,072,215	
Deferred inflows - pension	<u>(22,528)</u>	2,049,687

Deferred inflows of resources and deferred outflows of resources related to the School's net pension and OPEB liabilities are based on the differences between actuarially determined actual and expected investment returns, differences between actual and expected experience, changes in actuarial assumptions, changes in the actuarially determined proportion of the School's amount of the total pension and OPEB liabilities, and pension and OPEB contributions made after the measurement date of the net pension and OPEB liabilities. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows - OPEB	3,275,185	
Deferred inflows - OPEB	<u>(4,317,571)</u>	<u>(1,042,386)</u>

TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (9,910,358)

The accompanying notes are an integral part of these financial statements.

FIRST STATE MONTESSORI ACADEMY, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025
(With Summarized Comparative Data for the Year Ended June 30, 2024)

	General Fund	Capital Projects Fund	Totals	
			2025	2024
REVENUES				
Charges to school districts	\$ 3,641,116	\$ -	\$ 3,641,116	\$ 3,364,981
State aid	7,574,031	-	7,574,031	6,744,711
Federal aid	259,834	-	259,834	339,197
Earnings on cash and pooled cash	352,886	82,395	435,281	85,240
Food service revenue	97,326	-	97,326	67,554
Contributions	15,021	-	15,021	295,568
School programs	92,725	-	92,725	100,696
TOTAL REVENUES	<u>12,032,939</u>	<u>82,395</u>	<u>12,115,334</u>	<u>10,997,947</u>
EXPENDITURES				
Current:				
Instructional services	6,932,835	-	6,932,835	6,785,736
Operation and maintenance of facilities	2,029,397	-	2,029,397	1,736,442
Transportation	635,160	-	635,160	640,382
Food service	130,382	-	130,382	137,445
Capital outlays:				
Property	624,048	6,827	630,875	5,781
Debt service:				
Principal	-	180,000	180,000	175,000
Interest	-	581,000	581,000	590,001
Financing costs	-	2,500	2,500	2,500
TOTAL EXPENDITURES	<u>10,351,822</u>	<u>770,327</u>	<u>11,122,149</u>	<u>10,073,287</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,681,117</u>	<u>(687,932)</u>	<u>993,185</u>	<u>924,660</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(753,777)</u>	<u>753,777</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(753,777)</u>	<u>753,777</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	927,340	65,845	993,185	924,660
FUND BALANCE, BEGINNING OF YEAR	<u>4,433,898</u>	<u>1,622,151</u>	<u>6,056,049</u>	<u>5,131,389</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,361,238</u>	<u>\$ 1,687,996</u>	<u>\$ 7,049,234</u>	<u>\$ 6,056,049</u>

The accompanying notes are an integral part of these financial statements.

FIRST STATE MONTESSORI ACADEMY, INC.
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ 993,185

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlays	\$ 825,108	
Depreciation expense	<u>(459,154)</u>	365,954

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Similarly, amortization of premium reduces the liability in the statement of net position. Interest on long-term debt is not accrued for in the governmental funds, but is recognized on the statement of net position; therefore, the change in accrual must be recognized.

Amortization of premium on bonds	56,432	
Change in accrued interest	3,250	
Principal repayments	<u>180,000</u>	239,682

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences		(28,353)
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Some revenues reported in the statement of activities are not available to finance current expenditures and, therefore, are not reported as revenues in the governmental funds.

Due from other governments		26,338
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Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.

(167,942)

OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because OPEB expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing OPEB plan, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.

39,704

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES

\$ 1,468,568

The accompanying notes are an integral part of these financial statements.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

First State Montessori Academy, Inc. ("the School") is organized under Delaware Code, Title 14, Chapter 5 of the State of Delaware. The Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. A charter school is an independent public school governed by an independent board of directors. In Delaware, charter schools have the same basic standing as a school district with some exceptions - most notably, they may not levy taxes. To encourage innovation, charter schools operate free from a number of state laws and regulations. An initial charter is granted for a three-year period, renewable every five years thereafter.

Charter schools are funded similarly to other public schools in that state and local funds are allocated for each enrolled student. Public funds are not provided for facilities. Charter schools may charge for selected additional costs consistent with those permitted by other school districts. Because a charter school receives local, state, and federal funds, they may not charge tuition.

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

Reporting Entity

The School is a special purpose government and is considered a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's operations. The School has no component units for which it is considered to be financially accountable.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the School.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Amounts reported as program revenues include 1) charges to students for special fees, supplies, or services provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include charges to school districts.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Charges to the school districts, state appropriations, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the School receives cash.

The School reports the following major governmental funds:

- **General Fund** – The general fund is the School's operating fund. It accounts for all financial resources of the School.
- **Capital Projects Fund** – This fund is maintained to accumulate resources to be used for construction and other capital activities of the School.

Encumbrance Accounting

Encumbrance accounting is employed by the School's governmental fund. Encumbrances (i.e. purchase orders and contracts) outstanding at year end are reported as assigned fund balance and do not constitute expenditures or liabilities because the commitments will be

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

reappropriated and honored during the subsequent year. At June 30, 2025, the School did not have any outstanding encumbrances.

Receivables

The School considers all accounts receivable at year end to be collectible; therefore, no allowance for doubtful accounts has been recorded.

Capital Assets

Capital assets, which include buildings, building improvements, and furniture and equipment, are reported in the entity-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost incurred during construction is not capitalized.

Capital assets of the School are depreciated using the straight-line method over the estimated useful lives of the related assets. The School generally uses the following estimated useful lives:

Buildings	40 years
Building improvements	23 - 25 years
Furniture and equipment	5 years

Collections

The School maintains a small collection of various artwork that was donated by a third party at the start of the School's operations. As this collection is held for the furtherance of the education of its students, rather than for financial gain, it has not been capitalized.

Fund Equity

Fund balance will be displayed in the following classification (if applicable) depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the School. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Head of School may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unassigned fund balances are available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board or Head of School has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and unspent bond proceeds from any borrowings used to finance the acquisition, construction, or improvement of capital assets, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Any remaining portions of net position are reflected as unrestricted. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first and then unrestricted resources as they are needed.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the entity-wide financial statements and the proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed at the entity-wide level to the extent that they do not

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

represent payments for bond insurance. Bond insurance costs are deferred and amortized over the life of the bonds.

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

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The School reports deferred pension and OPEB contributions resulting from pension and OPEB contributions subsequent to the measurement date of the net pension liability and OPEB liability, and certain other items which represent differences related to changes in the net pension liability and OPEB liability which will be amortized over future periods.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents a source of net position that applies to future periods. The School reports, as deferred inflows of resources, certain items which represent differences related to changes in the net pension liability and net OPEB liability which will be amortized over future periods.

Compensated Absences

Vacation pay plus related payroll taxes are accrued when incurred in the entity-wide financial statements. A liability for these amounts is reported in the governmental fund only when the liability matures, for example, as a result of employee resignations and retirements.

Vacation – Twelve-month employees can accumulate up to 42 days of vacation. Any days in excess of 42 are dropped as of July 1 of each year. Employees are paid for unused vacation upon termination and retirement at the current rate of pay.

Sick Leave – Any unused sick days shall be accumulated to the employee's credit. Compensation for accumulated sick days is received when employees (a) qualify and apply for state pension and are paid at a rate of 50% of the per diem rate of pay not to exceed 90 days; or (b) in the case of death, when payment is made to the employee's estate at a rate of one day's pay for each day of unused sick leave not to exceed 90 days.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Earned unused sick leave may be transferred to another state agency if the employee remains a state employee or is later rehired as a state employee. Sick time does not accrue while an employee is on leave of absence, unless otherwise required by law.

The School's compensated absences liability was \$84,659 at June 30, 2025, of which \$78,642 is reimbursable from the State.

Income Tax Status

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The School did not engage in any unrelated business activities during the fiscal year. Management believes more likely than not that its tax-exempt status and tax positions will be sustained if examined by authorities.

Use of Estimates in the Preparation of Financial Statements

The preparation of basic 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.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the School's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Implementation of New Accounting Pronouncements

During the year ended June 30, 2025, the School implemented Governmental Accounting Standards Board ("GASB") Statement No. 101, "Compensated Absences." The purpose of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND POOLED CASH

At June 30, 2025, the School has cash and pooled cash of \$8,316,626. Of that amount, \$6,617,433 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

The funds held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the School, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State of Delaware. The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost.

At June 30, 2025, the reported amount of the School's deposits not held with the State Treasurer's Office was \$1,699,193, and the bank balance was \$1,699,193. Of the balance, \$261,197 was covered by federal depository insurance, while the remaining \$1,437,996 was exposed to custodial credit risk as it was uninsured and uncollateralized.

NOTE 3 CAPITAL ASSETS

	Balances 06/30/24	Increases	Decreases	Balances 06/30/25
Governmental Activities:				
Capital assets being depreciated:				
Building improvements	\$ 4,397,692	\$ 815,778	\$ -	\$ 5,213,470
Furniture and equipment	23,573	9,330	-	32,903
Buildings	10,307,773	-	-	10,307,773
Total capital assets being depreciated	14,729,037	825,108	-	15,554,145
Accumulated depreciation	(1,952,677)	(459,154)	-	(2,411,831)
Total capital assets being depreciated, net	12,776,360	365,954	-	13,142,314
Governmental Activities, Net	<u>\$12,776,360</u>	<u>\$ 365,954</u>	<u>\$ -</u>	<u>\$13,142,314</u>

Depreciation expense was charged to the following activities:

Governmental Activities:	
Instructional services	\$ 3,272
Operation and maintenance of facilities	455,882
	<u>\$ 459,154</u>

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 FUND BALANCE

As of June 30, 2025, fund balance is composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Restricted for capital projects	\$ -	\$ 1,687,996
Unassigned	<u>5,361,238</u>	<u>-</u>
Total Fund Balance	<u>\$ 5,361,238</u>	<u>\$ 1,687,996</u>

NOTE 5 PENSION PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Pension Plan ("the Plan"), which is a cost-sharing, multiple-employer defined benefit pension plan ("the State PERS") established in the Delaware Code. The Plan is administered by the Delaware Public Employees Retirement System ("DPERS").

The State of Delaware General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees ("the Board").

The following are brief descriptions of the Plan in effect as of June 30, 2024. For a more complete description, please refer to the Delaware Employees' Pension Plan Annual Comprehensive Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the DPERS website at www.delawrepensions.com.

Plan Description and Eligibility

The State Employees' Pension Plan is a cost-sharing multiple-employer defined benefit plan that covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities.

There are two tiers within this plan: 1) employees hired prior to January 1, 2012 (Pre-2012), 2) employees hired on or after January 1, 2012 (Post-2011); employees classified as Correctional Officers or Specified Peace Officers.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Benefits Provided

Service Benefits

Final average monthly compensation (employees hired Post-2011 may not include overtime in pension compensation) multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations.

Vesting

Pre-2012 date of hire: 5 years of credited service. Post 2011 date of hire: 10 years of credited service (5 of which must be consecutive).

Retirement

Pre-2012 date of hire: Age 62 with five years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service at any age. Post-2011 date of hire: age 65 with at least 10 years of credited service; age 60 with 20 years of credited service; and 30 years of credited service at any age.

Disability Benefits

Pre-2012 date of hire: Same as Service Benefits. Employee must have 5 years of credited service. In lieu of disability pension benefits, over 90% of the members of this plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 date of hire; in the Disability Insurance Program.

Survivor Benefits

If employee is receiving a pension, the eligible survivor receives 50% of pension (or 67.7% with 2% reduction of benefit, 75% with 3% reduction of benefit, or 100% with 6% reduction of benefit); if employee is active with at least 5 years of credited service, eligible survivor receives 75% of the benefit the employee would have received at age 62.

The amount payable to a surviving spouse under age 50 at the time the survivor's pension begins shall be reduced for each month under age 50 in accordance with actuarial tables approved by the Board. Any actuarial reduction for such a spouse shall, however, not apply for the period during which the spouse has in his or her care an unmarried child or children.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Burial Benefits

Burial benefits are established at \$7,000 per retired member.

Contributions

Member Contributions

Employees hired Pre-2012 contribute 3% of earnings in excess of \$6,000. Employees hired Post-2011 contribute 5% of earnings in excess of \$6,000.

Employer Contributions

Employer contributions are determined by the Board. For the year ended June 30, 2025, the rate of the employer contribution was 12.43% of covered payroll. The School's contribution to PERS for the year ended June 30, 2025 was \$612,799.

PRI Contribution

All reporting units participating in the State PERS make contributions to a PRI fund which accumulates resources to fund ad hoc postretirement increases granted by the General Assembly. The increases are funded over a five-year period from the PRI fund. The allocation of the contribution from the PRI fund to the pension trust is a reduction of the net pension liability of each participating employer.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2025, the School reported a liability of \$2,868,819 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2023 to June 30, 2024. The School's proportion of the net pension liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2024, the School's proportion was 0.1838%, which represents a decrease from the prior measurement date of 0.0036%.

For the year ended June 30, 2025, the School recognized pension expense of \$780,741. At June 30, 2025, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 556,375	\$ -
Changes of assumptions	135,897	-
Difference between actual and expected experience	661,847	-
Changes in proportions	105,297	22,528
Contributions subsequent to the date of measurement	<u>612,799</u>	<u>-</u>
	<u>\$ 2,072,215</u>	<u>\$ 22,528</u>

An amount of \$612,799 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2024 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ending June 30,

2026	\$ 92,030
2027	1,131,269
2028	97,672
2029	17,827
2030	<u>98,090</u>
	<u>\$ 1,436,888</u>

Actuarial Assumptions

The collective total pension liability as of the June 30, 2024 measurement date was determined by an actuarial valuation as of June 30, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024. These actuarial valuations used the following actuarial assumptions, applied to all periods:

- Investment rate of return/discount rate – 7.0%, including inflation of 2.5%
- Projected salary increases – 2.5% plus merit; including inflation of 2.5%
- Cost-of-living adjustments – 0.0%

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

The total pension liability is measured based on the assumptions pertaining to interest rates, inflation rates, and employee demographic behavior in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the actual experience deviates, the larger the impact on future financial statements.

Mortality assumptions are based on the Pub-2010 Mortality Tables with Gender Adjustments for Employees, Healthy Annuitants, and Disabled Retirees as well as an adjusted version on MP-2020 Mortality Improvement Scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments ("ad hoc COLAs"), as they are not substantively automatic. The primary considerations relevant to making this determination include the historical patterns of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Asset Allocation
Domestic equity	5.7%	33.6%
International equity	5.7%	13.9%
Fixed income	2.0%	25.3%
Alternative investments	7.8%	21.7%
Cash and equivalents	0.0%	5.5%

Discount Rate

The discount used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

rates determined by the Board, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension asset, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
School's proportionate share of the net pension liability	\$ 5,211,437	\$ 2,868,819	\$ 716,547

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Other Postemployment Benefits ("OPEB") Fund Trust ("the Plan"), which is a cost-sharing, multiple-employer defined benefit plan defined by the Delaware Code.

The State of Delaware General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Delaware Public Employees' Retirement System ("DPERS") Board of Pension Trustees, which acts as the Board of Trustees ("the Board") for the Plan and is responsible for the financial management of the Plan.

The following are brief descriptions of the Plan in effect as of June 30, 2024. For a more complete description, please refer to the DPERS Annual Comprehensive Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the DPERS website at <https://open.omb.delaware.gov/financials.shtml>.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Plan Description and Eligibility

The Plan is a cost-sharing multiple employer plan that covers all employees of the State that are eligible to participate in the defined benefit pension plan, including employees of other affiliated entities.

Benefits Provided

The Plan provides medical coverage to pensioners and their eligible dependents. The participant's cost of plan benefits is variable based on years of service. Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay an additional 5% of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree's death.

Contributions

Employer Contributions

Participating employers fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. For the year ended June 30, 2025, the rate of the employer contribution was 23.35% of covered payroll. The School's contribution to the Plan for the year ended June 30, 2025 was \$1,151,270.

Other Postemployment Benefits Plan Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2025, the School reported a liability of \$14,400,912 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Plan's total OPEB liability as of June 30, 2023 to June 30, 2024. The School's proportion of the net OPEB liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2024, the School's proportion was 0.1781%, which was an increase of 0.0031% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School recognized OPEB expense of \$1,111,566. At June 30, 2025, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 14,988	\$ -
Changes in proportions	1,003,783	262,402
Changes in assumptions	769,015	3,287,542
Net difference between expected and actual experience	336,129	767,627
Contributions subsequent to the date of measurement	<u>1,151,270</u>	<u>-</u>
	<u>\$ 3,275,185</u>	<u>\$ 4,317,571</u>

An amount of \$1,151,270 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2024 measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB, and will be recognized in OPEB expense as follows:

Year Ending June 30,

2026	\$ (154,767)
2027	(729,544)
2028	(599,661)
2029	(604,211)
2030	(45,102)
Thereafter	<u>(60,371)</u>
	<u>\$ (2,193,656)</u>

Actuarial Assumptions

The collective total OPEB liability as of the June 30, 2024 measurement date was determined by an actuarial valuation as of June 30, 2023, with update procedures used to roll forward the total OPEB liability to June 30, 2023. This actuarial valuation used the following actuarial assumptions:

- Discount rate – 4.46%
- Projected salary increases – 3.25% plus merit

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

- Healthcare cost trend rates – Blended rate of 8.80% for 2023 decreasing to an ultimate rate of 3.94% for 2042
- Spousal coverage – 50% of employees will elect spouse coverage at retirement.
- Percentage of Retirees electing coverage – 50% of employees not currently covered are expected to elect coverage before retirement. All employees are expected to remain in currently enrolled plans. The following retirees are expected to elect coverage:
 - 95% of employees with more than 20 years of service
 - 80% of employees with less than 20 years of service
 - 40% of current and future terminated vested employees
 - 100% of long-term disability participants

The Entry Age Actuarial Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this method, the normal cost rate is the percentage of pay contribution which would be sufficient to fund the Plan's benefits if it were paid from each member's entry into the Plan until termination or retirement.

Mortality rates are based on the Sex-distinct Employee, Healthy Annuitant, and Disabled Annuitant Mortality Tables derived from the Pub-2010 General Benefits Weighted Annuitant Mortality Table, including adjustment facts. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

The long-term expected rate of return on OPEB plan investments was determined using building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage which is based on the nature of mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan's current and expected asset allocation as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	5.7%
International equity	5.7%
Fixed income	2.0%
Alternative investments	7.8%
Cash and equivalents	0.0%

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study performed in 2021 and covering the period July 1, 2015 through June 30, 2020. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Discount Rate

The projection of cash flows used to determine the discount rate for June 30, 2024 assumed that employer contributions will be made at amounts equal to those outlined in Senate Bill 175 (at least 1% of the grand total of all State General Fund operating budget appropriations for the prior fiscal year) as well as 0.36% of covered payroll. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until approximately 2040. As such, projected benefit payments are discounted at the long-term expected return on assets of 7.00% to the extent the fiduciary net position is available to make the payments and the municipal bond rate of 3.93%, based on the Bond Buyer 20-Bond GO Index, thereafter to the extent they are not available. The resulting single equivalent rate used to determine the total OPEB liability as of June 30, 2024 was 4.46%.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 4.46%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.46%) or one percentage point higher (5.46%) than the current rate.

	1% Decrease 3.46%	Current Discount Rate 4.46%	1% Increase 5.46%
School's proportionate share of the net OPEB liability	\$ 17,112,447	\$ 14,400,912	\$ 12,224,760

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 8.80% as well as what the net OPEB liability would be if it were calculated using a healthcare

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

cost trend rate that is one percentage point lower (7.80%) or one percentage point higher (9.80%) than the current rate.

	1% Decrease 7.80%	Current Healthcare Trend Rate 8.80%	1% Increase 9.80%
School's proportionate share of the net OPEB liability	\$ 12,228,907	\$ 14,400,912	\$ 16,987,906

NOTE 7 LONG-TERM LIABILITIES

Revenue Bonds

Revenue Bonds, Series of 2019, interest ranging from 3.875% to 5.000%, maturing in fiscal year 2055, with interest payable semi-annually on March 1 and September 1. The purpose of this issue was to provide funding for and building purchase and the related renovations of the building.

\$ 11,900,000

TOTAL REVENUE BONDS OUTSTANDING

\$ 11,900,000

The total principal and interest maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 190,000	\$ 581,000	\$ 771,000
2027	195,000	573,300	768,300
2028	205,000	565,300	770,300
2029	210,000	557,000	767,000
2030	220,000	548,400	768,400
2031 - 2035	1,260,000	2,568,250	3,828,250
2036 - 2040	1,605,000	2,212,375	3,817,375
2041 - 2045	2,050,000	1,757,500	3,807,500
2046 - 2050	2,625,000	1,175,625	3,800,625
2051 - 2055	3,340,000	452,125	3,792,125
Total	<u>\$ 11,900,000</u>	<u>\$ 10,990,875</u>	<u>\$ 22,890,875</u>

Interest expense was \$523,818 for the year ended June 30, 2025.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM LIABILITIES (cont'd)

A schedule of changes in long-term liabilities is as follows:

	Amounts Outstanding 07/01/24	Additions	Retirements	Amounts Outstanding 06/30/25	Due Within One Year
Governmental Activities:					
Bonds payable	\$12,080,000	\$ -	\$ (180,000)	\$11,900,000	\$ 190,000
Bonds premium	1,749,391	-	(56,432)	1,692,959	56,432
	<u>13,829,391</u>	<u>-</u>	<u>(236,432)</u>	<u>13,592,959</u>	<u>246,432</u>
Compensated Absences	56,306	28,353	-	84,659	67,727
Net OPEB liability	14,910,718	-	(509,806)	14,400,912	-
Net pension liability	2,935,981	-	(67,162)	2,868,819	-
	<u>31,732,396</u>	<u>28,353</u>	<u>(813,400)</u>	<u>30,947,349</u>	<u>314,159</u>
Total Governmental Activities	<u>\$31,732,396</u>	<u>\$ 28,353</u>	<u>\$ (813,400)</u>	<u>\$30,947,349</u>	<u>\$ 314,159</u>

Payments of bonds payable are expected to be funded by the capital projects fund. Payments of other long-term liabilities are expected to be funded by the general fund. The change in the compensated absences liability is reported as the net impact of any increases or decreases during the year.

NOTE 8 INTERNAL TRANSFERS

Interfund transfers for the year ended June 30, 2025 are as follows:

Transfer In	Transfer Out	Amount
Capital Projects Fund	General Fund	\$ 753,777

Transfers from the general fund to the capital projects fund were to cover current year debt service payments. There were no interfund payables or receivables as of June 30, 2025.

NOTE 9 RISK MANAGEMENT

The School has purchased commercial insurance policies for various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the School. Insurance settlements have not exceeded insurance coverage in either of the past two years. There were no significant reductions in coverage compared to the prior year.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The School does not anticipate losses from these transactions.

NOTE 11 UNCERTAINTIES

Grants

The School receives financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the School. The School's administration believes such disallowance, if any, would be immaterial.

NOTE 12 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Public utilities services	\$	29,564
Insurance	\$	17,887
Communications	\$	7,849
Repairs and maintenance	\$	71,590
Supplies and materials	\$	99,252

The excess expenditures were covered by other current year expenditure appropriations that were under budget, overall revenues coming in higher than budgeted, and the use of available fund balance.

NOTE 13 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$11,147,709 includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension liability and OPEB liability, and the deferred outflows related to the pension and OPEB plans. This is offset by the School's actuarially determined pension liability and OPEB liability, and the deferred inflows related to the pension and OPEB plans.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 14 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2025, the School implemented GASB Statement No. 101, "Compensated Absences." The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The effect of that change to the financial reporting resulted in adjustments to and restatements of beginning net position, as follows:

	<u>6/30/2024 as Previously Reported</u>	<u>Change in Accounting Principle</u>	<u>6/30/2024 as Restated</u>
Government-wide Governmental activities	<u>\$ (11,374,924)</u>	<u>\$ (4,002)</u>	<u>\$ (11,378,926)</u>
Total Primary Government	<u>\$ (11,374,924)</u>	<u>\$ (4,002)</u>	<u>\$ (11,378,926)</u>

NOTE 15 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through October 6, 2025, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST STATE MONTESSORI ACADEMY, INC.
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Charges to school districts	\$ 3,640,961	\$ 3,835,623	\$ 3,641,116	\$ (194,507)
State aid	6,779,907	7,391,178	7,574,031	182,853
Federal aid	240,850	249,608	259,834	10,226
Earnings on cash and investments	-	-	352,886	352,886
Food service revenue	130,000	130,000	97,326	(32,674)
Contributions	206,073	206,073	15,021	(191,052)
School programs	100,000	100,000	92,725	(7,275)
TOTAL REVENUES	<u>11,097,791</u>	<u>11,912,482</u>	<u>12,032,939</u>	<u>120,457</u>
EXPENDITURES				
Current:				
Salaries	5,086,816	5,193,808	5,013,752	180,056
Employment costs	2,490,067	2,614,074	2,548,297	65,777
Contractual services	643,880	675,100	464,433	210,667
Professional development	15,000	15,000	12,490	2,510
Public utilities services	165,000	165,000	194,564	(29,564)
Insurance	85,000	85,000	102,887	(17,887)
Communications	4,500	4,500	12,349	(7,849)
Transportation - buses	650,000	650,000	635,160	14,840
Repairs and maintenance	320,000	424,000	495,590	(71,590)
Supplies and materials	134,000	149,000	248,252	(99,252)
TOTAL EXPENDITURES	<u>9,594,263</u>	<u>9,975,482</u>	<u>10,351,822</u>	<u>(376,340)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,503,528</u>	<u>1,937,000</u>	<u>1,681,117</u>	<u>(255,883)</u>
OTHER FINANCING SOURCES (USES)				
Contingency	25,000	25,000	-	(25,000)
Transfers out	(753,777)	(753,777)	(753,777)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(728,777)</u>	<u>(728,777)</u>	<u>(753,777)</u>	<u>(25,000)</u>
NET CHANGE IN FUND BALANCE	774,751	1,208,223	927,340	(280,883)
FUND BALANCE, BEGINNING OF YEAR	<u>4,433,898</u>	<u>4,433,898</u>	<u>4,433,898</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,208,649</u>	<u>\$ 5,642,121</u>	<u>\$ 5,361,238</u>	<u>\$ (280,883)</u>

Note: The School's budget is presented on the modified accrual basis of accounting.

FIRST STATE MONTESSORI ACADEMY, INC.
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PROPORTIONATE SHARE OF NET PENSION LIABILITY	MEASUREMENT DATE									
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
School's proportion of the net pension liability (asset)	0.1838%	0.1874%	0.1814%	0.1766%	0.1699%	0.1592%	0.1425%	0.1236%	0.0784%	0.0577%
School's proportion of the net pension liability (asset) - dollar value	\$ 2,868,819	\$ 2,935,981	\$ 2,481,467	\$ (2,151,921)	\$ 2,388,525	\$ 2,479,248	\$ 1,840,653	\$ 1,812,210	\$ 1,181,416	\$ 384,095
School's covered employee payroll	\$ 4,833,903	\$ 4,531,614	\$ 4,183,574	\$ 3,859,294	\$ 3,663,018	\$ 3,304,379	\$ 2,829,741	\$ 2,408,111	\$ 1,495,188	\$ 1,076,757
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	59.35%	64.79%	59.31%	-55.76%	65.21%	75.03%	65.05%	75.25%	79.01%	35.67%
Plan fiduciary net position as a percentage of the total pension liability (asset)	88.29%	87.60%	88.76%	110.48%	87.27%	85.41%	87.49%	85.31%	84.11%	92.67%

**FIRST STATE MONTESSORI ACADEMY, INC.
SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS**

<u>CONTRIBUTIONS</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Contractually required contribution	\$ 612,799	\$ 566,050	\$ 505,275	\$ 520,855	\$ 475,851	\$ 438,097	\$ 390,842	\$ 294,859	\$ 230,744	\$ 143,239
Contributions in relation to the contractually required contribution	<u>612,799</u>	<u>566,050</u>	<u>505,275</u>	<u>520,855</u>	<u>475,851</u>	<u>438,097</u>	<u>390,842</u>	<u>294,859</u>	<u>230,744</u>	<u>143,239</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 4,930,000	\$ 4,833,903	\$ 4,531,614	\$ 4,183,574	\$ 3,859,294	\$ 3,663,018	\$ 3,304,379	\$ 2,829,741	\$ 2,408,111	\$ 1,495,188
Contributions as a percentage of covered employee payroll	12.43%	11.71%	11.15%	12.45%	12.33%	11.96%	11.83%	10.42%	9.58%	9.58%

FIRST STATE MONTESSORI ACADEMY, INC.
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE OF DELAWARE EMPLOYEES' OPEB PLAN

<u>PROPORTIONATE SHARE OF NET OPEB LIABILITY</u>	<u>MEASUREMENT DATE</u>							
	<u>JUNE 30, 2024</u>	<u>JUNE 30, 2023</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
School's proportion of the net OPEB liability	0.1781%	0.1812%	0.1758%	0.1706%	0.1659%	0.1550%	0.1389%	0.1208%
School's proportion of the net OPEB liability - dollar value	\$ 14,400,912	\$ 14,910,718	\$ 14,899,768	\$ 17,202,683	\$ 17,268,868	\$ 12,352,326	\$ 11,404,995	\$ 9,971,884
School's covered employee payroll	\$ 4,833,903	\$ 4,531,614	\$ 4,183,574	\$ 3,859,294	\$ 3,663,018	\$ 3,304,379	\$ 2,829,741	\$ 2,408,111
School's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	297.91%	329.04%	356.15%	445.75%	471.44%	373.82%	403.04%	414.10%
Plan fiduciary net position as a percentage of the total OPEB liability	10.59%	7.71%	6.43%	6.06%	4.27%	4.89%	4.44%	4.13%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**FIRST STATE MONTESSORI ACADEMY, INC.
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
STATE OF DELAWARE EMPLOYEES' OPEB PLAN**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2025</u>	<u>JUNE 30, 2024</u>	<u>JUNE 30, 2023</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 1,151,270	\$ 774,001	\$ 678,788	\$ 480,303	\$ 455,495	\$ 458,317	\$ 389,541	\$ 312,034
Contributions in relation to the contractually required contribution	<u>1,151,270</u>	<u>774,001</u>	<u>678,788</u>	<u>480,303</u>	<u>455,495</u>	<u>458,317</u>	<u>389,541</u>	<u>312,034</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 4,930,000	\$ 4,833,903	\$ 4,531,614	\$ 4,183,574	\$ 3,859,294	\$ 3,663,018	\$ 3,304,379	\$ 2,829,741
Contributions as a percentage of covered employee payroll	23.35%	16.01%	14.98%	11.48%	11.80%	12.51%	11.79%	11.03%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SUPPLEMENTARY INFORMATION

**FIRST STATE MONTESSORI ACADEMY, INC.
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2025**

	State Allocation	Local Funding	Federal Funding	Total
ASSETS				
Cash and pooled cash	\$ 287,813	\$ 6,340,817	\$ -	\$ 6,628,630
Accounts receivable	-	-	37,717	37,717
TOTAL ASSETS	\$ 287,813	\$ 6,340,817	\$ 37,717	\$ 6,666,347
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ 11,916	\$ -	\$ 11,916
Accrued salaries and employment costs	-	1,255,476	37,717	1,293,193
TOTAL LIABILITIES	-	1,267,392	37,717	1,305,109
 FUND BALANCES:				
Unassigned	287,813	5,073,425	-	5,361,238
TOTAL FUND BALANCES	287,813	5,073,425	-	5,361,238
 TOTAL LIABILITIES AND FUND BALANCES	\$ 287,813	\$ 6,340,817	\$ 37,717	\$ 6,666,347

**FIRST STATE MONTESSORI ACADEMY, INC.
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	State Allocation	Local Funding	Federal Funding	Total
REVENUES				
Charges to school districts	\$ -	\$ 3,641,116	\$ -	\$ 3,641,116
State aid	7,574,031	-	-	7,574,031
Federal aid	-	-	259,834	259,834
Earnings on cash and pooled cash	-	352,886	-	352,886
Food service revenue	-	28,390	68,936	97,326
Contributions	-	15,021	-	15,021
School programs	-	92,725	-	92,725
TOTAL REVENUES	<u>7,574,031</u>	<u>4,130,138</u>	<u>328,770</u>	<u>12,032,939</u>
EXPENDITURES				
Current:				
Instructional services	4,883,834	1,844,735	204,266	6,932,835
Operation and maintenance of facilities	1,054,680	919,149	55,568	2,029,397
Transportation	635,160	-	-	635,160
Food service	2,321	59,125	68,936	130,382
Property	338,328	285,720	-	624,048
TOTAL EXPENDITURES	<u>6,914,323</u>	<u>3,108,729</u>	<u>328,770</u>	<u>10,351,822</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>659,708</u>	<u>1,021,409</u>	<u>-</u>	<u>1,681,117</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(753,777)</u>	<u>-</u>	<u>-</u>	<u>(753,777)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(753,777)</u>	<u>-</u>	<u>-</u>	<u>(753,777)</u>
NET CHANGE IN FUND BALANCES	(94,069)	1,021,409	-	927,340
FUND BALANCES, BEGINNING OF YEAR	<u>381,882</u>	<u>4,052,016</u>	<u>-</u>	<u>4,433,898</u>
FUND BALANCES, END OF YEAR	<u>\$ 287,813</u>	<u>\$ 5,073,425</u>	<u>\$ -</u>	<u>\$ 5,361,238</u>

FIRST STATE MONTESSORI ACADEMY, INC.
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

EXPENDITURES

Current:

Salaries	\$ 5,013,752
Employment costs	2,548,297
Contractual services	464,433
Professional development	12,490
Public utilities services	194,564
Insurance	102,887
Communications	12,349
Transportation - buses	635,160
Repairs and maintenance	495,590
Supplies and materials	248,252

Capital outlays:

Property	630,875
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Debt service:

Financing costs	2,500
Principal	180,000
Interest	581,000

TOTAL EXPENDITURES

\$ 11,122,149



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

October 6, 2025

Board of Directors
First State Montessori Academy, Inc.
Wilmington, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of First State Montessori Academy, Inc. ("the School"), Wilmington, Delaware, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 6, 2025.

Report on Internal Control Over Financial Reporting

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

Board of Directors
First State Montessori Academy, Inc.

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 School'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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


BARBACANE, THORNTON & COMPANY LLP