

Audited Financial Statements

Merritt Academy

New Haven, Michigan

June 30, 2024

CONTENTS

	<u>Page</u>
Independent Auditors' Report	i – iii
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	iv - v
Management's Discussion and Analysis	vi - ix
Statement of Net Position	1
Statement of Activities	2
Combined Balance Sheet – All Governmental Funds	3
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7 - 20
Supplementary Information	
Budgetary Comparison Schedule – General Fund	21
Combining Balance Sheets – Non-Major Funds	22
Combining Statement of Revenues, Expenditures, and Changes in fund Balance – Non-Major Funds	23
Schedule of Revenues – General Fund	24
Schedule of Expenditures – General Fund	25 - 27



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Merritt Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merritt Academy, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Merritt Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Merritt Academy, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024 on our consideration of Merritt Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Merritt Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Merritt Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
October 29, 2024



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

**To the Board of Directors
of Merritt Academy**

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

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Croskey Lanni, PC

Rochester, Michigan
October 29, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Merritt Academy’s annual financial report presents our discussion and analysis of the school’s financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- ❖ The total cost of basic programs for fiscal year 2023-2024 was \$3,574,918.
- ❖ Revenues were at \$8,193,364 while expenditures and other financing uses were \$8,078,391 in the General Fund.
- ❖ Blended enrollment used for state aid purposes was 629.897, up from 608.66 the previous fiscal year.
- ❖ The Academy used capital outlay in fiscal year 2023-2024 of \$111,741 to modernize facilities, purchase technology and improve the learning environment for students and staff.
- ❖ The school has a positive General Fund balance of \$831,542.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the school:

- ❖ The first two statements are school-wide financial statements that provide both short-term and long-term information about the school’s overall financial status.
- ❖ The remaining statements are fund financial statements that focus on individual parts of the school, reporting the school’s operations in more detail.
- ❖ The governmental fund statements tell how basic services like regular and special education were financed.

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

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the school’s net position and how it has changed. Net position – the difference between the school’s assets and liabilities – are one way to measure the school’s financial health or position.

- ❖ Over time, increases or decreases in the school’s assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school’s enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school’s funds, focusing on its most significant or “major” funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school’s basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has one kind of fund:

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The school's financial position is the product of many factors.

General Fund Budgetary Analysis

Over the course of the year, the school reviewed and amended the annual operating budget several times.

Financial Outlook

Merritt Academy's financial forecast is optimistic heading into the 2024/2025 school year.

- ❖ The academy has budgeted approximately \$286,000 of federal grants for fiscal year 2024-2025. The academy will use these grants to provide extra time and instruction to students who need help meeting academic standards.
- ❖ Enrollment is expected to be stable for the 2024-2025 school year.
- ❖ The Academy is using revenue increases from the state to improve facilities, purchase technology to enhance the teaching and learning experience and improve the student's education and social programs.

Table A-3
Merritt Academy's Net Position

	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 3,540,999	\$ 3,320,525
Capital assets	<u>5,059,391</u>	<u>5,310,825</u>
Total assets	<u>8,600,390</u>	<u>8,631,350</u>
Long-term debt outstanding	6,063,087	6,374,318
Other liabilities	<u>2,374,848</u>	<u>2,228,817</u>
Total liabilities	8,437,935	8,603,135
Net position:		
Net investment in capital assets	(1,318,373)	(6,883,535)
Restricted	877,923	893,201
Unrestricted	<u>602,905</u>	<u>5,818,549</u>
Total net position	<u>\$ 162,455</u>	<u>\$ 28,215</u>

Table A-4
Changes in Merritt Academy's Net Position

	2024	2023
Revenues:		
Program revenues:		
Charges for services	\$ 106,577	\$ 97,087
Federal and state operating grants	2,009,282	2,259,624
General revenues:		
State aid - unrestricted	6,351,227	5,477,930
Miscellaneous	115,651	69,436
Total revenues	8,582,737	7,904,077
Expenses:		
Instruction	4,318,928	4,508,291
Support services and community services	3,441,723	3,188,904
Unallocated depreciation / amortization	363,175	363,811
Interest on long-term debt	324,671	332,615
Total expenses	8,448,497	8,393,621
Increase (decrease) in net position	\$ 134,240	\$ (489,544)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2024, the school had invested \$9,725,840 in capital assets, including facilities, equipment, computers and software. See Table A-5 below for a listing of capital assets, and the accumulated depreciation/amortization.

Table A-5
Merritt Academy's Capital Assets

	Balance June 30, 2024	Balance June 30, 2023
Building	\$ 8,001,588	\$ 7,925,764
Equipment and furniture	570,405	564,597
Computers	798,608	768,499
Right to use assets	355,239	355,239
Subtotal	9,725,840	9,614,099
Less: accumulated depreciation / amortization	4,666,449	4,303,274
Total net capital assets	\$ 5,059,391	\$ 5,310,825

Long-Term Debt

The Academy had \$6,000,000 outstanding on 2018 Revenue Bond as of June 30, 2024 and another \$42,542 on long-term leases as well as a deferred state aid adjustment owed to the State of Michigan. See Note 7 in the financial statements for additional information on long-term debt.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- ❖ Maintaining staffing levels
- ❖ Continuation of positive enrollment trends
- ❖ State aid foundation grant stabilization

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the management office at:

The Romine Group, 7877 Stead, Utica, MI 48317 (586)731-5300

MERRITT ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,097,819
Investments	824,728
Due from other governmental units	1,574,108
Prepaid expenses	<u>44,344</u>
Total current assets	3,540,999

Capital Assets - Net of Accumulated Depreciation / Amortization

5,059,391

Total assets \$ 8,600,390

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 1,428,806
Unearned revenue	341,627
Other accrued liabilities	289,738
Long-term debt - current portion	<u>314,677</u>
Total current liabilities	2,374,848

Long-Term Debt - Long-Term Portion

6,063,087

Net Position

Net investment in capital assets	(1,318,373)
Restricted	877,923
Unrestricted	<u>602,905</u>
Total net position	<u>162,455</u>
Total liabilities and net position	<u>\$ 8,600,390</u>

See accompanying notes to financial statements

MERRITT ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

		Program Revenues		Net (Expense) Revenues and Changes in Net Position Government Type Activities
	Expenses	Charges for Services	Operating Grants	
Functions				
Instruction				
Basic programs	\$ 3,574,918	\$ 30,213	\$ 460,180	\$ (3,084,525)
Added needs	744,010	-	721,241	(22,769)
Support services				
Pupil support services	258,188	-	258,188	-
Instructional staff support services	38,918	-	22,655	(16,263)
General administration	901,333	-	-	(901,333)
School administration	703,839	-	25,038	(678,801)
Business support services	42,925	-	-	(42,925)
Operations and maintenance	735,763	-	117,645	(618,118)
Pupil transportation services	157,819	-	48,500	(109,319)
Pupil activities	61,716	17,030	-	(44,686)
Athletic activities	152,773	39,173	-	(113,600)
Food services	353,922	135	355,835	2,048
Community services	34,527	20,026	-	(14,501)
Unallocated depreciation / amortization	363,175	-	-	(363,175)
Unallocated interest	324,671	-	-	(324,671)
Total primary government	\$ 8,448,497	\$ 106,577	\$ 2,009,282	(6,332,638)
General Purpose Revenues				
State school aid - unrestricted				6,351,227
Miscellaneous revenues				115,651
Total general purpose revenues				6,466,878
Change in net position				134,240
Net position - July 1, 2023				28,215
Net position - June 30, 2024				\$ 162,455

See accompanying notes to financial statements

MERRITT ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2024

ASSETS

	General	Debt Service	Non-Major	Total
Cash and cash equivalents	\$ 1,097,805	\$ -	\$ 14	\$ 1,097,819
Investments	203,067	621,661	-	824,728
Due from other governmental units	1,574,108	-	-	1,574,108
Due from other funds	-	-	53,181	53,181
Prepaid expenses	44,344	-	-	44,344
	\$ 2,919,324	\$ 621,661	\$ 53,195	\$ 3,594,180

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 1,428,806	\$ -	\$ -	\$ 1,428,806
Due to other funds	53,181	-	-	53,181
Unearned revenue	341,627	-	-	341,627
Other accrued liabilities	264,168	-	-	264,168
	2,087,782	-	-	2,087,782

Fund Balance

Nonspendable	44,344	-	-	44,344
Restricted	203,067	621,661	53,195	877,923
Unassigned	584,131	-	-	584,131
	831,542	621,661	53,195	1,506,398
	\$ 2,919,324	\$ 621,661	\$ 53,195	\$ 3,594,180

See accompanying notes to financial statements

MERRITT ACADEMY

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

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

Total Governmental Fund Balances	\$ 1,506,398
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$9,725,840 and the accumulated depreciation / amortization is \$4,666,449.	5,059,391
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(25,570)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,377,764)</u>
Net Position of Governmental Activities	<u><u>\$ 162,455</u></u>

See accompanying notes to financial statements

MERRITT ACADEMY

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

	<u>General</u>	<u>Debt Service</u>	<u>Non-Major</u>	<u>Total</u>
Revenues				
Local sources	\$ 188,364	\$ 33,728	\$ 136	\$ 222,228
State sources	7,385,052	-	83,375	7,468,427
Federal sources	243,776	-	272,134	515,910
Interdistrict sources	376,172	-	-	376,172
Total governmental fund revenues	8,193,364	33,728	355,645	8,582,737
Expenditures				
Instruction				
Basic programs	3,574,918	-	-	3,574,918
Added needs	744,010	-	-	744,010
Support services				
Pupil support services	258,188	-	-	258,188
Instructional staff support services	38,918	-	-	38,918
General administration	901,333	-	-	901,333
School administration	703,839	-	-	703,839
Business support services	42,925	-	-	42,925
Operations and maintenance	735,763	-	-	735,763
Pupil transportation services	157,819	-	-	157,819
Pupil activities	61,716	-	-	61,716
Athletic activities	152,773	-	-	152,773
Food services	-	-	353,922	353,922
Community services	34,527	-	-	34,527
Capital outlay	111,741	-	-	111,741
Debt principal and interest	155,245	475,863	-	631,108
Total governmental fund expenditures	7,673,715	475,863	353,922	8,503,500
Excess (deficiency) of revenues over expenditures	519,649	(442,135)	1,723	79,237
Other Financing Sources (Uses)				
Operating transfers in	-	404,676	-	404,676
Operating transfers out	(404,676)	-	-	(404,676)
Total other financing sources (uses)	(404,676)	404,676	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	114,973	(37,459)	1,723	79,237
Fund balance - July 1, 2023	716,569	659,120	51,472	1,427,161
Fund balance - June 30, 2024	<u>\$ 831,542</u>	<u>\$ 621,661</u>	<u>\$ 53,195</u>	<u>\$1,506,398</u>

See accompanying notes to financial statements

MERRITT ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

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

Net Change in Fund Balances - Total Governmental Funds	\$	79,237
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlay in the current period:

Capital outlay	\$	111,741	
Depreciation and amortization expense		<u>(363,175)</u>	(251,434)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$	309,217	
Interest expense		<u>(2,780)</u>	<u>306,437</u>

Change in Net Position of Governmental Activities	\$	<u>134,240</u>
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See accompanying notes to financial statements

MERRITT ACADEMY

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

Merritt Academy was formed as a public-school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on May 30, 1997, and began operation in July 2002.

In July 2020, the Academy extended a contract with Saginaw Valley State University's Board of Control to charter a public-school academy for an additional five years. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Control is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Saginaw Valley State University's Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2024 were approximately \$179,100.

In June 2015, the Academy entered into an agreement with The Romine Group, Inc. The agreement was renewed through June 2025. Under the terms of this agreement, The Romine Group, Inc. provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay The Romine Group, Inc. ten percent of its state school aid revenue and all other governmental revenue sources. Total compensation in no event shall be less than \$250,000 in any fiscal year. The total expense for these services amounted to approximately \$663,000 for the year ended June 30, 2024. The Academy also had fees payable to The Romine Group, Inc. of approximately \$1,383,300 included in accounts payable at June 30, 2024.

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

Fund Financial Statements

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

Basis of Presentation – Fund Accounting

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

MERRITT ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds

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

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

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

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

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

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

MERRITT ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide Financial Statements

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

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

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

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

MERRITT ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

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

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2024, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

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

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

Accrued Liabilities and Long-Term Obligations

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

MERRITT ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position

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

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

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

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

Fund Equity

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

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

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

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The balances shown as restricted, include \$621,661 of resources held in trust for the payment of revenue bond obligations as well as \$53,195 amounts for food service and student activities

MERRITT ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

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

Leases

Leases and Subscription Based IT Arrangements (SBITA)

The Academy is a lessee for a noncancelable lease/subscription of equipment. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

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

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

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

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

MERRITT ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Estimates

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

Upcoming Accounting Pronouncements

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

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

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

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;

MERRITT ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
- i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2024 the budget was amended in a legally permissible manner. A comparison of amounts appropriated against actual results can be found on page 21 of these financial statements.

MERRITT ACADEMY

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

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2024, the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,097,819
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>824,728</u>
Total deposits and investments			<u>\$ 1,922,547</u>

The above amounts are reported in the financial statements as follows:

Deposits:			
Cash - General fund			\$ 1,097,805
Cash - Capital projects fund			14
Investments:			
Investments - General fund			203,067
Investments - Debt service fund			<u>621,661</u>
Total deposits and investments			<u>\$ 1,922,547</u>

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2024, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

MERRITT ACADEMY

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

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represent 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2024, \$931,158 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2024.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

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

Fair Value

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

MERRITT ACADEMY

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

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy's investments are Treasury Bills that are subject to the fair value measurement and are considered Level 2 investments.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$	185,154
State sources		1,222,525
Federal sources		<u>166,429</u>
Total	<u>\$</u>	<u>1,574,108</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2024</u>
Capital assets subject to depreciation / amortization				
Right to use - equipment	\$ 66,753	\$ -	\$ -	\$ 66,753
Right to use - subscription-based IT	288,486	-	-	288,486
Building	7,925,764	75,824	-	8,001,588
Equipment	49,976	5,808	-	55,784
Furniture	514,621	-	-	514,621
Computer	768,499	30,109	-	798,608
Sub-total	<u>9,614,099</u>	<u>111,741</u>	<u>-</u>	<u>9,725,840</u>
Accumulated depreciation / amortization				
Right to use - assets	25,270	14,351	-	39,621
Right to use - subscription-based IT	96,162	96,162	-	192,324
Building	2,936,439	211,755	-	3,148,194
Equipment	37,316	2,907	-	40,223
Furniture	490,771	8,318	-	499,089
Computer	717,316	29,682	-	746,998
Sub-total	<u>4,303,274</u>	<u>363,175</u>	<u>-</u>	<u>4,666,449</u>
Total net capital assets	<u>\$ 5,310,825</u>	<u>\$ (251,434)</u>	<u>\$ -</u>	<u>\$ 5,059,391</u>

MERRITT ACADEMY

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

NOTE 5 - CAPITAL ASSETS - Continued

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 – OTHER ACCRUED LIABILITIES

Other accrued liabilities may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 64,305	\$ 64,305
Management fee	167,598	167,598
University oversight fee	32,265	32,265
Interest	25,570	-
	<u>289,738</u>	<u>-</u>
Total other accrued liabilities	<u>\$ 289,738</u>	<u>\$ 264,168</u>

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE

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

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Direct borrowing - Konica Minolta	3.00%	June, 2025	Copier lease
Direct borrowing - Cannon	3.00%	June, 2027	Copier lease
Deferred state aid adjustment	0.00%	October, 2026	Adjustment to be payable \$139,089 once yearly through a state aid payment reduction
Revenue bonds 2018	5.00%	December, 2043	Collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of the state school aid payments and funds held in trust for debt service.

MERRITT ACADEMY

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

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE - Continued

Loan Activity

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u> <u>and</u> <u>Payments</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Direct borrowing - equipment	\$ 21,280	\$ -	\$ 10,049	\$ 11,231	\$ 10,355
Direct borrowing - equipment	21,262	-	5,079	16,183	5,233
Deferred state aid adjustment	556,357	-	139,089	417,268	139,089
Revenue bonds 2018	<u>6,155,000</u>	<u>-</u>	<u>155,000</u>	<u>6,000,000</u>	<u>160,000</u>
	<u>\$ 6,753,899</u>	<u>\$ -</u>	<u>\$ 309,217</u>	<u>\$ 6,444,682</u>	<u>\$ 314,677</u>
Discount on bond				<u>66,918</u>	
Total				<u>\$ 6,377,764</u>	

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

	<u>Principal</u>	<u>Interest</u>
2025	\$ 314,677	\$ 308,001
2026	315,357	299,400
2027	324,648	290,483
2028	190,000	281,142
2029	200,000	271,392
2030 - 2034	1,160,000	1,189,224
2035 - 2039	1,500,000	846,737
2040 - 2044	2,440,000	376,078

NOTE 8 - RETIREMENT PLAN

All employees leased by the Academy are eligible to participate in a retirement plan established by The Romine Group which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 4% of salaries regardless of the amount of the employee contribution. The employer will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan.

MERRITT ACADEMY

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

NOTE 9 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its funds as follows:

	<u>General</u>	<u>Debt Service</u>
Transfer In	\$ -	\$ 404,676
Transfer Out	404,676	-

As stipulated by the Academy's revenue bond agreement as described in Note 7, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. These above transactions account for the major activity in the Academy's interfund transfer accounts.

NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

MERRITT ACADEMY

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 75,500	\$ 197,346	\$ 188,364	\$ (8,982)
State sources	7,051,035	7,716,391	7,385,052	(331,339)
Federal sources	276,172	295,117	243,776	(51,341)
Other sources	431,750	448,476	376,172	(72,304)
Total general fund revenues	7,834,457	8,657,330	8,193,364	(463,966)
Expenditures				
Instruction				
Basic programs	3,349,481	3,758,593	3,574,918	(183,675)
Added needs	1,032,566	887,392	744,010	(143,382)
Support services				
Pupil support services	94,000	254,288	258,188	3,900
Instructional staff support services	15,000	78,359	38,918	(39,441)
General administration	859,403	939,289	901,333	(37,956)
School administration	679,663	718,511	703,839	(14,672)
Business support services	39,700	43,050	42,925	(125)
Operations and maintenance	885,513	899,174	735,763	(163,411)
Pupil transportation services	115,000	157,820	157,819	(1)
Central support services	-	27,392	-	(27,392)
Pupil activities	24,000	31,600	61,716	30,116
Athletic activities	80,000	155,000	152,773	(2,227)
Community services	22,776	36,569	34,527	(2,042)
Capital outlay	-	12,000	111,741	99,741
Debt principal and interest	-	155,287	155,245	(42)
Total general fund expenditures	7,197,102	8,154,324	7,673,715	(480,609)
Excess (deficiency) of revenues over expenditures	637,355	503,006	519,649	16,643
Other Financing Sources (Uses)				
Operating transfers out	(489,000)	(410,000)	(404,676)	5,324
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	148,355	93,006	114,973	21,967
Fund balance - July 1, 2023	716,569	716,569	716,569	-
Fund balance - June 30, 2024	<u>\$ 864,924</u>	<u>\$ 809,575</u>	<u>\$ 831,542</u>	<u>\$ 21,967</u>

MERRITT ACADEMY

COMBINING BALANCE SHEETS – NON-MAJOR FUNDS
JUNE 30, 2024

ASSETS

	Special Revenue - Food Services	Capital Projects	Total
Cash and cash equivalents	\$ -	\$ 14	\$ 14
Due from other funds	<u>53,181</u>	<u>-</u>	<u>53,181</u>
Total assets	<u>\$ 53,181</u>	<u>\$ 14</u>	<u>\$ 53,195</u>

LIABILITIES AND FUND BALANCE

Fund Balance			
Restricted	<u>\$ 53,181</u>	<u>\$ 14</u>	<u>\$ 53,195</u>

MERRITT ACADEMY

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

	Special Revenue - Food Services	Capital Projects	Total
Revenues			
Local sources	\$ 135	\$ 1	\$ 136
State sources	83,375	-	83,375
Federal sources	272,134	-	272,134
Total governmental fund revenues	355,644	1	355,645
Expenditures			
Support services			
Food services	353,922	-	353,922
Excess (deficiency) of revenues over expenditures	1,722	1	1,723
Fund balance - July 1, 2023	51,459	13	51,472
Fund balance - June 30, 2024	\$ 53,181	\$ 14	\$ 53,195

MERRITT ACADEMY

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

Local Sources

Student activities	\$ 56,203
Other local revenues	<u>132,161</u>
Total local sources	188,364

State Sources

At risk	368,987
Great Start Readiness Program	507,157
Special education	157,681
State aid	<u>6,351,227</u>
Total state sources	7,385,052

Federal Sources

IDEA	77,347
Title I	153,148
Title II A	7,005
Other program revenue	<u>6,276</u>
Total federal sources	243,776

Interdistrict Sources

	<u>376,172</u>
Total general fund revenues	<u>\$ 8,193,364</u>

MERRITT ACADEMY

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

Basic Programs

Purchased services	\$ 3,481,064
Supplies and materials	65,038
Other expenditures	<u>28,816</u>
Total basic programs	3,574,918

Added Needs

Purchased services	688,102
Supplies and materials	<u>55,908</u>
Total added needs	744,010

Pupil Support Services

Guidance services	104,673
Psychological services	8,295
Speech pathology and audiology	82,192
Social work services	<u>63,028</u>
Total pupil support services	258,188

Instructional Staff Support Services

Purchased services	31,512
Other purchased services	632
Supplies and materials	<u>6,774</u>
Total instructional staff support services	38,918

General Administration

Purchased services	58,101
Management fees	663,000
University oversight	179,146
Other expenditures	<u>1,086</u>
Total general administration	901,333

MERRITT ACADEMY

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

School Administration

Purchased services	667,231
Supplies and materials	9,389
Other expenditures	<u>27,219</u>
Total school administration	703,839

Business Support Services

Purchased services	42,771
Other expenditures	<u>154</u>
Total business support services	42,925

Operations and Maintenance

Purchased services	189,090
Repairs and maintenance	450,878
Supplies and materials	<u>95,795</u>
Total operations and maintenance	735,763

Pupil Transportation Services

Purchased services	48,500
Other expenditures	<u>109,319</u>
Total pupil transportation services	157,819

Pupil Activities

Purchased services	29,018
Other expenditures	<u>32,698</u>
Total athletic activities	61,716

Athletic Activities

Purchased services	71,905
Other expenditures	<u>80,868</u>
Total athletic activities	152,773

MERRITT ACADEMY

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

Community Services

Purchased services	34,122
Other expenditures	<u>405</u>

Total community services 34,527

Capital Outlay

111,741

Debt Principal and Interest

155,245

Total general fund expenditures \$ 7,673,715