

Audited Financial Statements

Merritt Academy

New Haven, Michigan

June 30, 2025

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Independent Auditors' Report

Board of Directors and Management
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 the Merritt Academy (the "Academy"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy, as of June 30, 2025, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2025 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Rochester, MI
December 7, 2025



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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors and Management of
Merritt Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merritt Academy (the "Academy"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 7, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

CBIZ CPAs P.C.

CBIZ CPAs P.C.
Rochester, MI

December 7, 2025

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, 2025. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

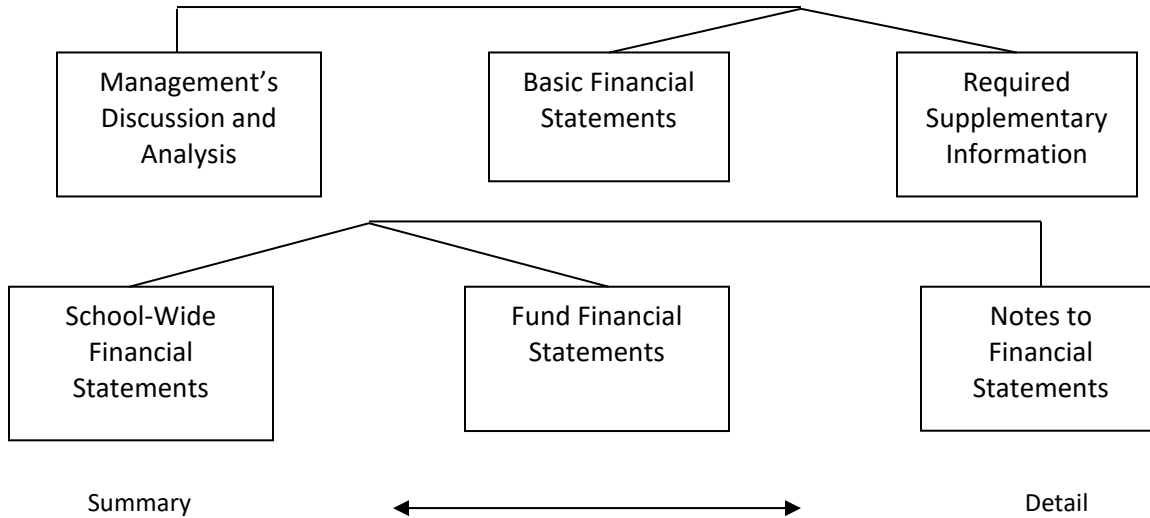
- ❖ The total cost of basic programs for fiscal year 2024-2025 was \$3,596,591.
- ❖ Revenues were at \$8,678,496 while expenditures and other financing uses were \$8,596,858 in the General Fund. This represents excess of revenues over expenditures of \$81,638.
- ❖ Blended enrollment used for state aid purposes was 612.64.
- ❖ The Academy had capital asset additions in fiscal year 2024-2025 of \$258,303 to modernize facilities, purchase technology and improve the learning environment for students and staff.
- ❖ The school has a positive General Fund balance of \$913,180.

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-1
Organization of Merritt’s Annual Financial Report**



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

**Figure A-2
Major Features of School-Wide and Fund Financial Statements**

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

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 2025/2026 school year.

- ❖ The academy has budgeted approximately \$285,000 of federal grants for fiscal year 2025/2026. The academy will use these grants to provide extra time and instruction to students who need help meeting academic standards.
- ❖ Enrollment has been budgeted to increase approximately 13 students for the 2025/2026 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>2025</u>	<u>2024</u>
Current and other assets	\$ 3,616,658	\$ 3,540,999
Capital assets	<u>4,947,918</u>	<u>5,059,391</u>
Total assets	<u>8,564,576</u>	<u>8,600,390</u>
Long-term debt outstanding	2,236,231	6,063,087
Other liabilities	<u>5,751,177</u>	<u>2,374,848</u>
Total liabilities	7,987,408	8,437,935
Net position:		
Net investment in capital assets	(1,118,616)	(1,318,373)
Restricted	1,041,583	877,923
Unrestricted	<u>654,201</u>	<u>602,905</u>
Total net position	<u>\$ 577,168</u>	<u>\$ 162,455</u>

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

	<u>2025</u>	<u>2024</u>
Revenues:		
Program revenues:		
Charges for services	\$ 101,540	\$ 106,577
Federal and state operating grants	2,459,112	2,009,282
General revenues:		
State aid - unrestricted	6,253,678	6,351,227
Miscellaneous	249,227	115,651
Total revenues	<u>9,063,557</u>	<u>8,582,737</u>
Expenses:		
Instruction	4,296,804	4,318,928
Support services and community services	3,667,199	3,441,723
Unallocated depreciation / amortization	369,776	363,175
Interest on long-term debt	315,065	324,671
Total expenses	<u>8,648,844</u>	<u>8,448,497</u>
Increase (decrease) in net position	<u>\$ 414,713</u>	<u>\$ 134,240</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2025, the school had invested \$9,695,657 in capital assets, including facilities, equipment, computers and software. These assets are generally subject to amortization/depreciation. See Table A-5 below for a listing of capital assets, and the accumulated amortization/depreciation.

Table A-5
Merritt Academy's Capital Assets

	<u>Balance</u> <u>June 30, 2025</u>	<u>Balance</u> <u>June 30, 2024</u>
Building	\$ 8,201,959	\$ 8,001,588
Equipment and furniture	570,405	570,405
Computers	856,540	798,608
Right to use assets	66,753	355,239
Subtotal	9,695,657	9,725,840
Less: accumulated depreciation / amortization	<u>4,747,739</u>	<u>4,666,449</u>
Total net capital assets	<u>\$ 4,947,918</u>	<u>\$ 5,059,391</u>

Long-Term Debt

The Academy had \$6,130,005 of long-term debt outstanding as of June 30, 2025. The total amount consists of 2018 Revenue Bonds \$5,840,000, equipment leases \$11,826, and deferred state aid adjustment owed to the State of Michigan \$278,179. 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, 2025

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,055,041
Investments	935,775
Due from other governmental units	1,608,009
Prepaid expenses	<u>17,833</u>
Total current assets	3,616,658

Capital Assets - Net of Accumulated Depreciation / Amortization

4,944,928

Total assets \$ 8,561,586

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 1,415,931
Unearned revenue	252,683
Other accrued liabilities	252,260
Long-term debt - current portion	<u>315,357</u>
Total current liabilities	2,236,231

Long-Term Debt - Long-Term Portion

5,751,177

Net Position

Net investment in capital assets	(1,118,616)
Restricted	1,041,583
Unrestricted	<u>651,211</u>
Total net position	<u>574,178</u>

Total liabilities and net position \$ 8,561,586

See accompanying notes to financial statements

MERRITT ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 3,596,591	\$ -	\$ 994,531	\$ (2,602,060)
Added needs	700,213	-	509,607	(190,606)
Support services				
Pupil support services	306,589	-	181,257	(125,332)
Instructional staff support services	69,619	-	96,889	27,270
General administration	907,475	-	-	(907,475)
School administration	743,735	-	8,859	(734,876)
Business support services	59,441	-	-	(59,441)
Operations and maintenance	890,399	-	173,179	(717,220)
Pupil transportation services	166,644	-	71,500	(95,144)
Central support services	30	-	30	-
Pupil activities	31,344	69,690	-	38,346
Athletic activities	150,595	-	-	(150,595)
Food services	303,541	-	356,500	52,959
Community services	37,787	31,850	-	(5,937)
Site improvement services	-	-	66,760	66,760
Unallocated depreciation / amortization	372,766	-	-	(372,766)
Unallocated interest	315,065	-	-	(315,065)
Total primary government	\$ 8,651,834	\$ 101,540	\$ 2,459,112	(6,091,182)
General Purpose Revenues				
State school aid - unrestricted				6,253,678
Miscellaneous revenues				249,227
Total general purpose revenues				6,502,905
Change in net position				411,723
Net position - July 1, 2024				162,455
Net position - June 30, 2025				\$ 574,178

See accompanying notes to financial statements

MERRITT ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2025

ASSETS

	General	Debt Service	Non-Major	Total
Cash and cash equivalents	\$ 1,055,041	\$ -	\$ -	\$ 1,055,041
Investments	234,118	701,642	15	935,775
Due from other governmental units	1,608,009	-	-	1,608,009
Due from other funds	-	-	105,808	105,808
Prepaid expenses	17,833	-	-	17,833
	<u>\$ 2,915,001</u>	<u>\$ 701,642</u>	<u>\$ 105,823</u>	<u>\$ 3,722,466</u>
Total assets	<u>\$ 2,915,001</u>	<u>\$ 701,642</u>	<u>\$ 105,823</u>	<u>\$ 3,722,466</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 1,415,931	\$ -	\$ -	\$ 1,415,931
Due to other funds	105,808	-	-	105,808
Unearned revenue	252,683	-	-	252,683
Other accrued liabilities	227,399	-	-	227,399
	<u>2,001,821</u>	<u>-</u>	<u>-</u>	<u>2,001,821</u>
Total liabilities	2,001,821	-	-	2,001,821

Fund Balance

Nonspendable	17,833	-	-	17,833
Restricted	234,118	701,642	105,823	1,041,583
Unassigned	661,229	-	-	661,229
	<u>913,180</u>	<u>701,642</u>	<u>105,823</u>	<u>1,720,645</u>
Total fund balance	913,180	701,642	105,823	1,720,645
Total liabilities and fund balance	<u>\$ 2,915,001</u>	<u>\$ 701,642</u>	<u>\$ 105,823</u>	<u>\$ 3,722,466</u>

See accompanying notes to financial statements

MERRITT ACADEMY

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

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

Total Governmental Fund Balances	\$ 1,720,645
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$9,695,657 and the accumulated depreciation / amortization is \$4,747,739.	4,944,928
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(24,861)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,066,534)</u>
Net Position of Governmental Activities	<u><u>\$ 574,178</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, 2025

	<u>General</u>	<u>Debt Service</u>	<u>Non-Major</u>	<u>Total</u>
Revenues				
Local sources	\$ 321,874	\$ 28,892	\$ 1	\$ 350,767
State sources	7,580,217	-	86,321	7,666,538
Federal sources	275,449	-	269,847	545,296
Interdistrict sources	500,956	-	-	500,956
Total governmental fund revenues	<u>8,678,496</u>	<u>28,892</u>	<u>356,169</u>	<u>9,063,557</u>
Expenditures				
Instruction				
Basic programs	3,596,591	-	-	3,596,591
Added needs	700,213	-	-	700,213
Support services				
Pupil support services	306,589	-	-	306,589
Instructional staff support services	69,619	-	-	69,619
General administration	907,475	-	-	907,475
School administration	743,735	-	-	743,735
Business support services	57,066	2,375	-	59,441
Operations and maintenance	890,399	-	-	890,399
Pupil transportation services	166,644	-	-	166,644
Central support services	30	-	-	30
Pupil activities	31,344	-	-	31,344
Athletic activities	150,595	-	-	150,595
Food services	-	-	303,541	303,541
Community services	37,787	-	-	37,787
Capital outlay	258,303	-	-	258,303
Debt principal and interest	156,166	470,838	-	627,004
Total governmental fund expenditures	<u>8,072,556</u>	<u>473,213</u>	<u>303,541</u>	<u>8,849,310</u>
Excess (deficiency) of revenues over expenditures	605,940	(444,321)	52,628	214,247
Other Financing Sources (Uses)				
Operating transfers in	-	524,302	-	524,302
Operating transfers out	(524,302)	-	-	(524,302)
Total other financing sources (uses)	<u>(524,302)</u>	<u>524,302</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	81,638	79,981	52,628	214,247
Fund balance - July 1, 2024	<u>831,542</u>	<u>621,661</u>	<u>53,195</u>	<u>1,506,398</u>
Fund balance - June 30, 2025	<u>\$ 913,180</u>	<u>\$ 701,642</u>	<u>\$ 105,823</u>	<u>\$1,720,645</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, 2025

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

Net Change in Fund Balances - Total Governmental Funds	\$ 214,247
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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	\$ 258,303	
Depreciation and amortization expense	<u>(372,766)</u>	(114,463)

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	\$ 314,677	
Interest expense	<u>(2,738)</u>	<u>311,939</u>

Change in Net Position of Governmental Activities	<u>\$ 411,723</u>
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See accompanying notes to financial statements

MERRITT ACADEMY

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

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 five years. The contract has now been extended through June 30, 2032. 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, 2025 were approximately \$170,300.

In July 2020, the Academy entered into an agreement with The Romine Group, Inc. The agreement has now been extended to run concurrently with the authorizer agreement. 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 \$350,000 or more than \$700,000 in any fiscal year. The total expense for these services amounted to approximately \$672,800 for the year ended June 30, 2025. The Academy also had fees payable to The Romine Group, Inc. of approximately \$1,318,100 included in accounts payable at June 30, 2025.

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

Fund Financial Statements

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

Basis of Presentation – Fund Accounting

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

MERRITT ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are operated. 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, 2025

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 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, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

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

Prepaid Expenses

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

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy 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 or construction in process, if applicable, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Depreciation and amortization are computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 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, 2025

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 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 position is displayed in the following three components:

Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization and reduced by 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 unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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

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

Fund Balance

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

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

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 \$935,775 of resources held in trust for the payment of revenue bond obligations as well as \$105,808 amounts for food service.

MERRITT ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Leases

Leases and Subscription Based IT Arrangements (SBITA)

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

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

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, 2025

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.

Implemented and Upcoming Accounting Pronouncements

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

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

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

MERRITT ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2025, the Academy had the following investments:

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 1,055,041
Investments:	
Mutual funds	<u>935,775</u>
Total deposits and investments	<u>\$ 1,990,816</u>

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

Deposits:	
Cash - General fund	\$ 1,055,041
Investments:	
Investments - General fund	234,118
Investments - Debt service fund	701,642
Investments - Capital projects fund	<u>15</u>
Total deposits and investments	<u>\$ 1,990,816</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).

MERRITT ACADEMY

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

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 mutual funds that invest in U.S. Government obligations representing 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, 2025, \$850,894 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2025.

Custodial Credit Risk - Investments

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

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

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, 2025

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 in mutual funds that invest in U.S. Government obligations that are subject to fair value measurement and are considered Level 1 investments.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$ 140,599
State sources	1,234,307
Federal sources	<u>233,103</u>
Total	<u>\$ 1,608,009</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2025</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	8,001,588	200,371	-	8,201,959
Equipment	55,784	-	-	55,784
Furniture	514,621	-	-	514,621
Computer	<u>798,608</u>	<u>57,932</u>	<u>-</u>	<u>856,540</u>
Sub-total	9,725,840	258,303	-	9,984,143
Accumulated depreciation / amortization				
Right to use - assets	39,621	15,306	-	54,927
Right to use - subscription-based IT	192,324	96,162	-	288,486
Building	3,148,194	220,958	-	3,369,152
Equipment	40,223	2,391	-	42,614
Furniture	499,089	8,654	-	507,743
Computer	<u>746,998</u>	<u>29,295</u>	<u>-</u>	<u>776,293</u>
Sub-total	<u>4,666,449</u>	<u>372,766</u>	<u>-</u>	<u>5,039,215</u>
Total net capital assets	<u>\$ 5,059,391</u>	<u>\$ (114,463)</u>	<u>\$ -</u>	<u>\$ 4,944,928</u>

MERRITT ACADEMY

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

NOTE 5 - CAPITAL ASSETS - Continued

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

NOTE 6 – OTHER ACCRUED LIABILITIES

Other accrued liabilities may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 55,074	\$ 55,074
Management fee	140,962	140,962
University oversight fee	31,363	31,363
Interest	24,861	-
	<u>24,861</u>	<u>-</u>
Total other accrued liabilities	<u>\$ 252,260</u>	<u>\$ 227,399</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, 2025:

	<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
State aid adjustment	0.00%	October, 2026	Adjustments payable through monthly state aid payment reductions
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, 2025

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE - Continued

Loan Activity

	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u> <u>and</u> <u>Payments</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Direct borrowing - equipment	\$ 11,231	\$ -	\$ 10,355	\$ 876	\$ 876
Direct borrowing - equipment	16,183	-	5,233	10,950	5,392
State aid adjustment	417,268	-	139,089	278,179	139,089
Revenue bonds 2018	<u>6,000,000</u>	<u>-</u>	<u>160,000</u>	<u>5,840,000</u>	<u>170,000</u>
	<u>\$ 6,444,682</u>	<u>\$ -</u>	<u>\$ 314,677</u>	<u>\$ 6,130,005</u>	<u>\$ 315,357</u>
Discount on bond				<u>63,471</u>	
Total				<u>\$ 6,066,534</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>
2026	\$ 315,357	\$ 302,845
2027	324,648	293,929
2028	190,000	284,588
2029	200,000	274,838
2030	210,000	264,456
2031 - 2035	1,220,000	1,145,469
2036 - 2040	1,580,000	782,244
2041 - 2044	2,090,000	269,556

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, 2025

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	\$ -	\$ 524,302
Transfer Out	524,302	-

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.

REQUIRED SUPPLEMENTARY INFORMATION

MERRITT ACADEMY

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 77,000	\$ 197,432	\$ 321,874	\$ 124,442
State sources	7,476,495	7,827,102	7,580,217	(246,885)
Federal sources	286,832	300,607	275,449	(25,158)
Other sources	464,775	642,141	500,956	(141,185)
Total general fund revenues	8,305,102	8,967,282	8,678,496	(288,786)
Expenditures				
Instruction				
Basic programs	3,682,780	3,777,761	3,596,591	(181,170)
Added needs	1,057,456	701,461	700,213	(1,248)
Support services				
Pupil support services	88,845	309,091	306,589	(2,502)
Instructional staff support services	30,500	158,579	69,619	(88,960)
General administration	861,261	958,537	907,475	(51,062)
School administration	750,474	757,152	743,735	(13,417)
Business support services	39,700	46,500	57,066	10,566
Operations and maintenance	906,500	914,689	890,399	(24,290)
Pupil transportation services	144,000	167,135	166,644	(491)
Central support services	-	30	30	-
Pupil activities	20,000	29,000	31,344	2,344
Athletic activities	100,000	152,300	150,595	(1,705)
Community services	31,917	38,925	37,787	(1,138)
Capital outlay	-	258,303	258,303	-
Debt principal and interest	-	156,210	156,166	(44)
Total general fund expenditures	7,713,433	8,425,673	8,072,556	(353,117)
Excess (deficiency) of revenues over expenditures	591,669	541,609	605,940	64,331
Other Financing Sources (Uses)				
Operating transfers out	(465,000)	(531,469)	(524,302)	7,167
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	126,669	10,140	81,638	71,498
Fund balance - July 1, 2024	831,542	831,542	831,542	-
Fund balance - June 30, 2025	<u>\$ 958,211</u>	<u>\$ 841,682</u>	<u>\$ 913,180</u>	<u>\$ 71,498</u>

SUPPLEMENTARY INFORMATION

MERRITT ACADEMY

COMBINING BALANCE SHEETS – NON-MAJOR FUNDS JUNE 30, 2025

ASSETS

	<u>Special Revenue - Food Services</u>	<u>Capital Projects</u>	<u>Total</u>
Investments	\$ -	\$ 15	\$ 15
Due from other funds	<u>105,808</u>	<u>-</u>	<u>105,808</u>
Total assets	<u>\$ 105,808</u>	<u>\$ 15</u>	<u>\$ 105,823</u>

LIABILITIES AND FUND BALANCE

Fund Balance			
Restricted	<u>\$ 105,808</u>	<u>\$ 15</u>	<u>\$ 105,823</u>

MERRITT ACADEMY

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

	Special Revenue - Food Services	Capital Projects	Total
Revenues			
Local sources	\$ -	\$ 1	\$ 1
State sources	86,321	-	86,321
Federal sources	269,847	-	269,847
Total governmental fund revenues	356,168	1	356,169
Expenditures			
Support services			
Food services	303,541	-	303,541
Excess (deficiency) of revenues over expenditures	52,627	1	52,628
Fund balance - July 1, 2024	53,181	14	53,195
Fund balance - June 30, 2025	\$ 105,808	\$ 15	\$ 105,823

MERRITT ACADEMY

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

Local Sources

Earnings on investments	\$ 9,229
Student activities	69,690
Other local revenues	<u>242,955</u>
Total local sources	321,874

State Sources

At risk	480,404
Great Start Readiness Program	685,670
Special education	160,465
State aid	<u>6,253,678</u>
Total state sources	7,580,217

Federal Sources

Title I	196,559
Title II A	13,052
Title IV	23,493
Other program revenue	<u>42,345</u>
Total federal sources	275,449

Interdistrict Sources

	<u>500,956</u>
Total general fund revenues	<u>\$ 8,678,496</u>

MERRITT ACADEMY

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

Basic Programs

Purchased services	\$ 3,494,905
Supplies and materials	92,551
Other expenditures	9,135
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Total basic programs	3,596,591

Added Needs

Purchased services	699,933
Supplies and materials	280
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Total added needs	700,213

Pupil Support Services

Guidance services	108,288
Psychological services	9,800
Speech pathology and audiology	85,580
Social work services	102,921
	<hr/>
Total pupil support services	306,589

Instructional Staff Support Services

Purchased services	53,365
Other purchased services	699
Supplies and materials	14,503
Other expenditures	1,052
	<hr/>
Total instructional staff support services	69,619

General Administration

Purchased services	62,757
Management fees	672,765
University oversight	170,259
Other expenditures	1,694
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Total general administration	907,475

MERRITT ACADEMY

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

School Administration

Purchased services	708,780
Supplies and materials	15,554
Other expenditures	<u>19,401</u>
Total school administration	743,735

Business Support Services

Purchased services	56,828
Other expenditures	<u>238</u>
Total business support services	57,066

Operations and Maintenance

Purchased services	216,116
Repairs and maintenance	580,553
Supplies and materials	<u>93,730</u>
Total operations and maintenance	890,399

Pupil Transportation Services

Purchased services	166,644
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Central Support Services

Repairs and maintenance	30
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Pupil Activities

Other expenditures	31,344
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Athletic Activities

Purchased services	60,857
Other expenditures	<u>89,738</u>
Total athletic activities	150,595

MERRITT ACADEMY

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

Community Services	
Purchased services	37,787
Capital Outlay	258,303
Debt Principal and Interest	<u>156,166</u>
Total general fund expenditures	<u>\$ 8,072,556</u>