



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

FINANCIAL STATEMENTS

JUNE 30, 2022

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

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(A Component Unit of the State of Delaware)

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INDEPENDENT AUDITOR'S REPORT

October 5, 2022

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of First State Montessori Academy, Inc., Wilmington, Delaware, a component unit of the State of Delaware, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise First State Montessori Academy, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of First State Montessori Academy, Inc., Wilmington, Delaware, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about First State Montessori Academy, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

Report on Summarized Comparative Information

We have previously audited First State Montessori Academy, Inc.'s 2021 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated September 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and the budgetary comparison schedule - general fund, schedule of the School's proportionate share of the net pension liability, schedule of School pension contributions, schedule of the School's proportionate share of the net OPEB liability, and schedule of School OPEB contributions on pages 39 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise First State Montessori Academy, Inc.'s basic financial statements. The combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, and schedule of expenditures by natural classification - governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, schedule of expenditures by natural classification - governmental funds, and schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of

Board of Directors
First State Montessori Academy

the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, and schedule of expenditures by natural classification - governmental funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2022, on our consideration of First State Montessori Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering First State Montessori Academy, Inc.'s internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
YEAR ENDED JUNE 30, 2022**

Our discussion and analysis of First State Montessori Academy, Inc.'s ("the School") financial performance provides an overview of the financial activities for the year ended June 30, 2022. Please read it in conjunction with the Independent Auditor's Report on pages 1 - 4 and the School's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

Fiscal year 2022 was the School's eighth year of operations. During the year, the net position of the School decreased by \$1,340,994, or 14.43 percent. Program revenues accounted for \$1,027,672, or 11.19 percent of total revenues. General revenues accounted for \$8,156,219, or 88.81 percent of total revenues. The governmental funds reported a positive fund balance of \$4,267,514, which represents a decrease of \$85,367 from 2021.

REPORTING THE SCHOOL AS A WHOLE

The Statement of Net Position and Statement of Activities

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

REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements of the School's major funds begin on page 15. These statements provide detailed information about the most significant funds and not the School as a whole. Certain funds are required to be established by State statute, while many other funds may be established by the School to help manage money for particular purposes and compliance with various grant provisions.

Governmental Funds

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

**FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by \$10,632,384 at the close of the fiscal year. The largest portion of the School's total assets is cash and pooled cash (25.33 percent), and capital assets net of depreciation, including construction-in-progress (64.30 percent) and the net pension asset (10.18 percent), the remaining of which is made up of accounts receivable (0.19 percent). The School uses capital assets to provide services; consequently, capital assets are not available for future spending.

A comparative net position analysis of fiscal years 2021 and 2020 follows:

**Table 1
NET POSITION
JUNE 30, 2022 AND 2021**

	Governmental Activities	
	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current and Other Assets:		
Cash and pooled cash	\$ 5,355,477	\$ 5,299,704
Other current assets	40,185	34,626
Total Current Assets	<u>5,395,662</u>	<u>5,334,330</u>
Noncurrent Assets:		
Construction-in-progress	16,381	-
Capital assets, net of depreciation	13,576,059	14,011,014
Net pension asset	2,151,921	-
Total Noncurrent Assets	<u>15,744,361</u>	<u>14,011,014</u>
TOTAL ASSETS	<u>21,140,023</u>	<u>19,345,344</u>

FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022

Table 1
NET POSITION
JUNE 30, 2022 AND 2021

(cont'd)	Governmental Activities	
	2022	2021
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	1,625,672	1,452,861
Deferred outflows - OPEB	6,917,022	7,918,199
Total Deferred Outflows of Resources	8,542,694	9,371,060
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 29,682,717	 28,716,404
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
Current Liabilities:		
Accounts payable	10,823	13,482
Accrued interest payable	249,583	254,666
Accrued salaries and related costs	1,117,325	967,967
Current portion of long-term debt	221,432	221,432
Total Current Liabilities	1,599,163	1,457,547
Noncurrent Liabilities:		
Long-term debt, net	14,060,823	14,282,255
Net pension liability	-	2,388,525
Net OPEB liability	17,202,683	17,268,868
Total Noncurrent Liabilities	31,263,506	33,939,648
 TOTAL LIABILITIES	 32,862,669	 35,397,195
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	4,322,606	422,214
Deferred inflows - OPEB	3,129,826	2,188,385
Total Deferred Inflows of Resources	7,452,432	2,610,599
 NET POSITION (DEFICIT)		
Net investment in capital assets	796,557	1,402,761
Restricted for net pension asset	2,151,921	-
Unrestricted (deficit)	(13,580,862)	(10,694,151)
 TOTAL NET POSITION (DEFICIT)	 \$(10,632,384)	 \$ (9,291,390)

**FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

Table 2, which follows, reflects the School's revenues received by funding source and how the funding received was expended by function for fiscal years 2022 and 2021.

**Table 2
CHANGES IN NET POSITION
FISCAL YEARS ENDED JUNE 30, 2022 AND 2021**

	Governmental Activities	
	2022	2021
REVENUES		
General revenue:		
Charges to school districts	\$ 2,837,048	\$ 2,918,422
Payments from primary government	5,318,534	5,193,159
Earnings on cash and pooled cash	637	33,613
Program revenue:		
Charges for services	33,993	9,350
Operating grants and contributions	993,679	625,045
TOTAL REVENUES	<u>9,183,213</u>	<u>8,779,589</u>
EXPENSES		
Instructional services	6,887,555	7,546,104
Support services:		
Operation and maintenance of facilities	2,531,142	1,960,670
Transportation	548,867	503,112
Food service	7,936	14,112
Interest and financing costs on long-term debt	549,835	557,418
TOTAL EXPENSES	<u>10,524,885</u>	<u>10,581,416</u>
CHANGE IN NET DEFICIT	<u>\$ (1,340,994)</u>	<u>\$ (1,801,827)</u>

Governmental Activities

The net position of the School's governmental activities decreased by \$1,340,994, and net position reflects a negative balance of \$13,580,862. The decrease in net position is primarily the result of changes in the School's proportionate share of the net pension asset and OPEB liability.

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

**FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

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

	2022		2021	
	Total Cost	Net Cost	Total Cost	Net Cost
<i>Governmental Activities</i>				
Instructional services	\$ 6,887,555	\$ 5,859,883	\$ 7,546,104	\$ 6,911,801
Support services:				
Operation and maintenance of facilities	2,531,142	2,531,142	1,960,670	1,960,670
Transportation	548,867	548,867	503,112	503,112
Food service	7,936	7,936	14,112	14,020
Interest and financing costs on long-term debt	<u>549,385</u>	<u>549,385</u>	<u>557,418</u>	<u>557,418</u>
Total Expenses	<u>\$ 10,524,885</u>	<u>\$ 9,497,213</u>	<u>\$ 10,581,416</u>	<u>\$ 9,947,021</u>

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$9,497,213 of support.

THE SCHOOL'S FUNDS

The general fund (as presented on the balance sheet on page 15) reported a fund balance of \$2,781,142, which represents an increase of \$323,695 from the prior year fund balance amount of \$2,457,447. The capital projects fund reported a fund balance of \$1,486,372, which represents a decrease of \$409,062 from the prior year fund balance amount of \$1,895,434. The general fund and capital projects fund together make up the School's governmental funds. The schedule below presents the makeup of the total governmental fund balance amount at year end.

	Governmental Funds	
	2022	2021
FUND BALANCE		
Restricted	\$ 1,486,372	\$ 1,895,434
Unassigned	<u>2,781,142</u>	<u>2,457,447</u>
Total Fund Balance	<u>\$ 4,267,514</u>	<u>\$ 4,352,881</u>

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

**FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

	<u>2022</u>	<u>2021</u>
REVENUES		
Charges to school districts	\$ 2,837,048	\$ 2,918,422
State aid	5,318,534	5,193,159
Federal aid	935,087	543,151
Earnings on cash and pooled cash	637	33,613
Food service revenue	-	92
Contributions	58,592	81,894
School programs	<u>33,993</u>	<u>9,258</u>
TOTAL REVENUES	<u>9,183,891</u>	<u>8,779,589</u>
EXPENDITURES		
Current:		
Instructional services	5,818,419	5,176,145
Operation and maintenance of facilities	1,668,122	1,621,479
Transportation	548,867	503,112
Food service	7,936	14,112
Capital outlays:		
Property	443,368	620,029
Equipment	6,646	-
Debt Service:		
Principal	165,000	60,000
Interest	608,400	612,100
Financing costs	<u>2,500</u>	<u>2,500</u>
TOTAL EXPENDITURES	<u>9,269,258</u>	<u>8,609,477</u>
NET CHANGE IN FUND BALANCE	(85,367)	170,112
FUND BALANCE, BEGINNING OF YEAR	<u>4,352,881</u>	<u>4,182,769</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,267,514</u>	<u>\$ 4,352,881</u>

The largest revenue reported by the School for the year was for aid received from the State of Delaware, accounting for 57.91 percent of total revenues. Charges to local school districts for students attending the School was also significant, accounting for 30.89 percent.

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

FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022

GENERAL FUND BUDGET INFORMATION

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

The following are explanations for the more significant variances between budget and actual revenues and expenditures as shown on page 39.

Revenues

Federal Aid

A favorable variance of \$563,834 was realized due to unexpected federal funding being received under the Federal Charter Schools Program.

State Aid

A favorable variance of \$184,668 was realized due to unexpected state funding being received under the State Charter Schools Program.

Expenditures

Salaries

A favorable variance of \$62,667 was realized primarily due to conservative budgeting as well as efficiencies being realized as the School adapted to required operational changes as a result of the ongoing pandemic.

Contractual Services

A favorable variance of \$490,882 is due primarily to the decrease in food service and student body activities as a result of the ongoing pandemic.

Repairs and Maintenance

A favorable variance of \$27,590 is due to conservative budgeting and minimum repairs needed in the current year.

Capital Outlays – Equipment

An unfavorable variance of \$45,229 was recognized primarily as a result of unbudgeted purchases of equipment in the current year.

**FIRST STATE MONTESSORI ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2022**

CAPITAL ASSETS

The School has \$13,592,440 invested in capital assets, net of depreciation. Detailed information regarding capital assets is reflected in Note 3 of the financial statements.

DEBT OBLIGATIONS

As of June 30, 2021, the School had total outstanding debt of \$14,282,255, including the unamortized premium, in the form of Revenue Bonds, Series of 2019.

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

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

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

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

FIRST STATE MONTESSORI ACADEMY, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	Governmental Activities	
	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and pooled cash	\$ 5,355,477	\$ 5,299,704
Accounts receivable	40,185	34,626
Total Current Assets	5,395,662	5,334,330
NONCURRENT ASSETS:		
Construction-in-progress	16,381	-
Capital assets, net of depreciation	13,576,059	14,011,014
Net pension asset	2,151,921	-
Total Noncurrent Assets	15,744,361	14,011,014
TOTAL ASSETS	21,140,023	19,345,344
 DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows - pension	1,625,672	1,452,861
Deferred outflows - OPEB	6,917,022	7,918,199
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,542,694	9,371,060
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$29,682,717	\$28,716,404
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 10,823	\$ 13,482
Accrued interest payable	249,583	254,666
Accrued salaries and related costs	1,117,325	967,967
Current portion of long-term debt	221,432	221,432
Total Current Liabilities	1,599,163	1,457,547
NONCURRENT LIABILITIES:		
Long-term debt, net	14,060,823	14,282,255
Net pension liability	-	2,388,525
Net OPEB liability	17,202,683	17,268,868
Total Noncurrent Liabilities	31,263,506	33,939,648
TOTAL LIABILITIES	32,862,669	35,397,195
 DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows - pension	4,322,606	422,214
Deferred inflows - OPEB	3,129,826	2,188,385
TOTAL DEFERRED INFLOWS OF RESOURCES	7,452,432	2,610,599
 NET POSITION (DEFICIT):		
Net investment in capital assets	796,557	1,402,761
Restricted - net pension asset	2,151,921	-
Unrestricted (deficit)	(13,580,862)	(10,694,151)
TOTAL NET DEFICIT	(10,632,384)	(9,291,390)
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$29,682,717	\$28,716,404

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

FIRST STATE MONTESSORI ACADEMY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(With Summarized Comparative Data for the Year Ended June 30, 2021)

GOVERNMENTAL ACTIVITIES	Program Revenues				Net (Expense) Revenue and Changes in Net Deficit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2022	2021
Instructional services	\$ (6,887,555)	\$ 33,993	\$ 993,679	\$ -	\$ (5,859,883)	\$ (6,911,801)
Support services:						
Operation and maintenance of facilities	(2,531,142)	-	-	-	(2,531,142)	(1,960,670)
Transportation	(548,867)	-	-	-	(548,867)	(503,112)
Food service	(7,936)	-	-	-	(7,936)	(14,020)
Interest on long-term debt	(549,385)	-	-	-	(549,385)	(557,418)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$(10,524,885)</u>	<u>\$ 33,993</u>	<u>\$ 993,679</u>	<u>\$ -</u>	<u>(9,497,213)</u>	<u>(9,947,021)</u>
GENERAL REVENUES						
					2,837,048	2,918,422
					5,318,534	5,193,159
					637	33,613
					<u>8,156,219</u>	<u>8,145,194</u>
					(1,340,994)	(1,801,827)
					<u>(9,291,390)</u>	<u>(7,489,563)</u>
					<u>\$ (10,632,384)</u>	<u>\$ (9,291,390)</u>

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

FIRST STATE MONTESSORI ACADEMY, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022
(With Summarized Comparative Data for June 30, 2021)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>	
			<u>2022</u>	<u>2021</u>
ASSETS				
Cash and pooled cash	\$ 3,869,105	\$ 1,486,372	\$ 5,355,477	\$ 5,299,704
Accounts receivable	<u>40,185</u>	<u>-</u>	<u>40,185</u>	<u>34,626</u>
TOTAL ASSETS	<u><u>\$ 3,909,290</u></u>	<u><u>\$ 1,486,372</u></u>	<u><u>\$ 5,395,662</u></u>	<u><u>\$ 5,334,330</u></u>
 LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ 10,823	\$ -	\$ 10,823	\$ 13,482
Accrued salaries and related benefits	<u>1,117,325</u>	<u>-</u>	<u>1,117,325</u>	<u>967,967</u>
Total Liabilities	<u>1,128,148</u>	<u>-</u>	<u>1,128,148</u>	<u>981,449</u>
 FUND BALANCE:				
Restricted	-	1,486,372	1,486,372	1,895,434
Unassigned	<u>2,781,142</u>	<u>-</u>	<u>2,781,142</u>	<u>2,457,447</u>
Total Fund Balance	<u>2,781,142</u>	<u>1,486,372</u>	<u>4,267,514</u>	<u>4,352,881</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 3,909,290</u></u>	<u><u>\$ 1,486,372</u></u>	<u><u>\$ 5,395,662</u></u>	<u><u>\$ 5,334,330</u></u>

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

FIRST STATE MONTESSORI ACADEMY, INC.
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2022

FUND BALANCE - GOVERNMENTAL FUNDS \$ 4,267,514

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position. 13,592,440

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

Long-term debt, net	\$ (14,282,255)	
Accrued interest payable	(249,583)	
Net pension asset	2,151,921	
Net OPEB liability	<u>(17,202,683)</u>	(29,582,600)

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

Deferred outflows - pension	1,625,672	
Deferred inflows - pension	<u>(4,322,606)</u>	(2,696,934)

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

Deferred outflows - OPEB	6,917,022	
Deferred inflows - OPEB	<u>(3,129,826)</u>	<u>3,787,196</u>

TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (10,632,384)

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

FIRST STATE MONTESSORI ACADEMY, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(With Summarized Comparative Data for the Year Ended June 30, 2021)

	General Fund	Capital Projects Fund	Totals	
			2022	2021
REVENUES				
Charges to school districts	\$ 2,837,048	\$ -	\$ 2,837,048	\$ 2,918,422
State aid	5,318,534	-	5,318,534	5,193,159
Federal aid	935,087	-	935,087	543,151
Earnings on cash and pooled cash	-	637	637	33,613
Food service revenue	-	-	-	92
Contributions	58,592	-	58,592	81,894
School programs	33,993	-	33,993	9,258
TOTAL REVENUES	<u>9,183,254</u>	<u>637</u>	<u>9,183,891</u>	<u>8,779,589</u>
EXPENDITURES				
Current:				
Instructional services	5,818,419	-	5,818,419	5,176,145
Operation and maintenance of facilities	1,668,122	-	1,668,122	1,621,479
Transportation	548,867	-	548,867	503,112
Food service	7,936	-	7,936	14,112
Capital outlays:				
Property	45,229	398,139	443,368	620,029
Equipment	6,646	-	6,646	-
Debt service:				
Principal	-	165,000	165,000	60,000
Interest	-	608,400	608,400	612,100
Financing costs	-	2,500	2,500	2,500
TOTAL EXPENDITURES	<u>8,095,219</u>	<u>1,174,039</u>	<u>9,269,258</u>	<u>8,609,477</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(764,340)	764,340	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(764,340)</u>	<u>764,340</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	323,695	(409,062)	(85,367)	170,112
FUND BALANCE, BEGINNING OF YEAR	<u>2,457,447</u>	<u>1,895,434</u>	<u>4,352,881</u>	<u>4,182,769</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,781,142</u>	<u>\$ 1,486,372</u>	<u>\$ 4,267,514</u>	<u>\$ 4,352,881</u>

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

FIRST STATE MONTESSORI ACADEMY, INC.
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ (85,367)

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

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

Capital outlays	\$ 18,681	
Depreciation expense	<u>(437,256)</u>	(418,575)

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

Amortization of premium on bonds	56,432	
Change in accrued interest	5,083	
Principal repayments	<u>165,000</u>	226,515

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 812,866

OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because OPEB expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing OPEB plan, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (1,876,433)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (1,340,994)

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

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

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

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

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

Reporting Entity

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

Entity-wide and Fund Financial Statements

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

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

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

The School reports the following major governmental funds:

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

Encumbrance Accounting

Encumbrance accounting is employed by the School's governmental fund. Encumbrances (i.e. purchase orders and contracts) outstanding at year end are reported as assigned fund

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

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

balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At June 30, 2022, the School did not have any outstanding encumbrances.

Receivables

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

Capital Assets

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

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

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

Collections

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

Fund Equity

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

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

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Unassigned – all other spendable amounts.

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

Net Position

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

Long-term Obligations

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

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

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

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

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

Deferred Inflows and Outflows of Resources

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

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

Income Tax Status

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

Use of Estimates in the Preparation of Financial Statements

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

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the School's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

NOTE 2 CASH AND POOLED CASH

At June 30, 2022, the School has cash and pooled cash of \$5,355,477. Of that amount, \$3,850,915 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

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

At June 30, 2022, the reported amount of the School's deposits not held with the State Treasurer's Office was \$1,504,562, and the bank balance was \$1,494,587. Of the balance, \$258,215 was covered by federal depository insurance, while the remaining \$1,236,372 was exposed to custodial credit risk as it was uninsured and uncollateralized.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 is as follows:

	<u>Balances</u> <u>6/30/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>6/30/22</u>
Governmental Activities:				
Construction-in-progress	\$ -	\$ 16,381	\$ -	\$ 16,381

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

	Balances 6/30/21	Increases	Decreases	Balances 6/30/22
(cont'd)				
Capital assets being depreciated:				
Building improvements	4,336,446	2,300	-	4,338,746
Furniture and equipment	53,897	-	9,097	44,800
Buildings	10,307,773	-	-	10,307,773
Total capital assets being Depreciated	14,698,116	2,300	9,097	14,691,319
Accumulated depreciation	(687,101)	(437,256)	(9,097)	(1,115,260)
Total capital assets being depreciated, net	14,011,015	(434,956)	-	13,576,059
Governmental Activities, Net	<u>\$14,011,015</u>	<u>\$ (418,575)</u>	<u>\$ -</u>	<u>\$13,592,440</u>

Depreciation expense was charged to the following activities:

Governmental Activities:	
Instructional services	\$ 5,569
Operation and maintenance of facilities	431,687
	<u>\$ 437,256</u>

NOTE 4 FUND BALANCE

As of June 30, 2022, fund balance is composed of the following:

	General Fund	Capital Projects Fund
Restricted for capital projects	\$ -	\$ 1,486,372
Unassigned	2,781,142	-
Total Fund Balance	<u>\$ 2,781,142</u>	<u>\$ 1,486,372</u>

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN

Plan Description

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

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

The following are brief descriptions of the Plan in effect as of June 30, 2022. For a more complete description, please refer to the Delaware Employees' Pension Plan Annual Comprehensive Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

The State Employees' Pension Plan covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities.

There are two tiers within this plan: 1) employees hired prior to January 1, 2012 (Pre-2012), and 2) employees hired on or after January 1, 2012 (Post-2011).

Benefits Provided

Service Benefits

Final average monthly compensation (employees hired on or after January 1, 2012 may not include overtime in pension compensation) multiplied by 2.0 percent and multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by 1.85 percent and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three periods of twelve consecutive months of compensation.

Vesting

Employees hired Pre-2012 vest in the plan after five years of credited service. Employees hired Post-2011 vest in the plan after ten years of credited service.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Retirement

Employees hired Pre-2012 may retire at age 62 with five years of credited service; at age 60 with 15 years of credited service; or after 30 years of credited service at any age. Employees hired Post-2011 may retire at age 65 with at least 10 years of credited service; at age 60 with 20 years of credited service; or after 30 years of credited service at any age.

Disability Benefits

Disability benefits for those employees hired Pre-2012 are offered using the same calculations as the Service Benefits described above. Employees in this program must have five years of credited service. In lieu of disability pension benefits, over 90 percent of the members of this plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Employees hired Post-2011 are also included in the Disability Insurance Program.

Survivor and Burial Benefits

In the event of the death of a member of the Plan, the eligible survivor receives 50 percent of the benefits received under the pension (or 67.7 percent with two percent reduction of benefit, 75 percent with a three percent reduction of the benefit, or 100 percent with six percent reduction of benefit). If the employee is an active member of the Plan with at least five years of credited service, the eligible survivor receives 75 percent of the benefit the active employee would have received at age 62.

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

Contributions

Member Contributions

Employees hired Pre-2012 contribute three percent of earnings in excess of \$6,000. Employees hired Post-2011 contribute five percent of earnings in excess of \$6,000.

Employer Contributions

Employer contributions are determined by the Board. For the year ended June 30, 2022, the rate of the employer contribution was 12.45 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2022 was \$520,855.

PRI Contribution

All reporting units participating in the State PERS make contributions to a PRI fund which accumulates resources to fund ad hoc postretirement increases granted by the General

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Assembly. The increases are funded over a five-year period from the PRI fund. The allocation of the contribution from the PRI fund to the pension trust is a reduction of the net pension liability of each participating employer.

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

At June 30, 2022, the School reported an asset of \$2,151,921 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by rolling forward the Plan's total pension liability as of June 30, 2020 to June 30, 2021. The School's proportion of the net pension asset was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2021, the School's proportion was 0.1766 percent, which represents an increase from the prior measurement date of 0.0067 percent.

For the year ended June 30, 2022, the School recognized pension credit of \$292,011. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 4,322,606
Changes of assumptions	388,799	-
Difference between actual and expected experience	326,176	-
Changes in proportions	389,842	-
Contributions subsequent to the date of measurement	<u>520,855</u>	<u>-</u>
	<u>\$ 1,625,672</u>	<u>\$ 4,322,606</u>

An amount of \$520,855 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2021 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Year Ending June 30,

2023	\$ (837,666)
2024	(805,751)
2025	(895,947)
2026	(838,697)
2027	<u>160,272</u>
	<u>\$ (3,217,789)</u>

Actuarial Assumptions

The total pension liability as of the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, and update procedures were used to roll forward the total pension liability to June 30, 2021. These actuarial valuations used the following actuarial assumptions, applied to all periods:

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

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

Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Asset Allocation
Domestic equity	5.7%	32.3%
International equity	5.7%	18.1%
Fixed income	2.0%	20.6%
Alternative investments	7.8%	24.2%
Cash and equivalents	0.0%	4.8%

Discount Rate

The discount used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates determined by the Board, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
School's proportionate share of the net pension (asset) liability	\$ (4,179,015)	\$ (2,151,92)	\$ 536,702

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Pension Plan Fiduciary Net Position

Detailed information about the PERS' fiduciary net position is available in the PERS Annual Comprehensive Financial Report, which can be found on the Plan's website at www.delawarepensions.com.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

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

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

The following are brief descriptions of the Plan in effect as of June 30, 2022. For a more complete description, please refer to the DPERS Annual Comprehensive Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

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

Benefits Provided

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

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Contributions

Employer Contributions

Participating employers fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. For the year ended June 30, 2022, the rate of the employer contribution was 11.48 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2022 was \$480,303.

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

At June 30, 2022, the School reported a liability of \$17,202,683 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total pension liability used to calculate the net OPEB liability was determined by rolling forward the Plan's total OPEB liability as of June 30, 2020 to June 30, 2021. The School's proportion of the net OPEB liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2021, the School's proportion was 0.1706 percent, which was an increase of 0.0047 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School recognized OPEB expense of \$2,356,736. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 198,719
Changes in proportions	3,044,090	-
Changes in assumptions	2,980,091	563,792
Net difference between expected and actual experience	412,538	2,367,315
Contributions subsequent to the date of measurement	<u>480,303</u>	<u>-</u>
	<u>\$ 6,917,022</u>	<u>\$ 3,129,826</u>

An amount of \$480,303 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2021 measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts will be

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

reported as deferred outflows of resources and deferred inflows of resources related to OPEB, and will be recognized in OPEB expense as follows:

Year Ending June 30,

2023	\$ 366,250
2024	698,663
2025	813,098
2026	989,688
2027	<u>439,194</u>
	<u>\$ 3,306,893</u>

Actuarial Assumptions

The total OPEB liability as of the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, and update procedures were used to roll forward the total pension liability to June 30, 2021. These actuarial valuations used the following actuarial assumptions:

- Discount rate – 2.16 percent
- Salary increases – 3.25 percent
- Healthcare cost trend rates – 5.50 percent

The discount rate was based on the Bond Buyer GO 20-Bond Municipal Bond Index.

Mortality rates were based on the Sex Distinct RP-2014 Total Dataset Healthy Annuitant Mortality Table, including adjustment for healthy annuitant and disabled annuitant. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

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

Discount Rate

The discount rate to measure the total OPEB liability was 2.21 percent at the beginning of the current measurement period and 2.16 percent at the end, based on the Bond Buyer GO 20-

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rate used at the June 30, 2020 measurement dates is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The following presents the net OPEB liability, calculated using the discount rate of 2.16 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16 percent) or one percentage point higher (3.16 percent) than the current rate.

	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
School's proportionate share of the net OPEB liability	\$ 20,557,259	\$ 17,202,683	\$ 14,557,151

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

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 5.50 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.50 percent) or one percentage point higher (6.50 percent) than the current rate.

	1% Decrease 4.50%	Current Healthcare Trend Rate 5.50%	1% Increase 6.50%
School's proportionate share of the net OPEB liability	\$ 14,072,797	\$ 17,202,683	\$ 21,330,824

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the PERS Annual Comprehensive Financial Report, which can be found on the Plan's website at www.delawarepensions.com.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM LIABILITIES

Revenue Bonds

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

\$ 12,420,000

TOTAL REVENUE BONDS OUTSTANDING

\$ 12,420,000

The total principal and interest maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 165,000	\$ 602,300	\$ 767,300
2024	175,000	595,500	770,500
2025	180,000	588,400	768,400
2026	190,000	581,000	771,000
2027 - 2031	1,060,000	2,782,250	3,842,250
2032 - 2036	1,320,000	2,503,750	3,823,750
2037 - 2041	1,685,000	2,130,125	3,815,125
2042 - 2046	2,155,000	1,652,375	3,807,375
2047 - 2051	2,755,000	1,041,125	3,796,125
2052 - 2055	<u>2,735,000</u>	<u>300,250</u>	<u>3,035,250</u>
Total	<u>\$ 12,420,000</u>	<u>\$ 12,777,075</u>	<u>\$ 25,197,075</u>

Interest expense was \$549,385 for the year ended June 30, 2022.

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

	<u>Amounts Outstanding 7/1/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amounts Outstanding 6/30/2022</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable	\$12,585,000	\$ -	\$ 165,000	\$12,420,000	\$ 165,000
Bonds premium	1,918,687	-	56,432	1,862,255	56,432
	<u>14,503,687</u>	-	<u>221,432</u>	<u>14,282,255</u>	<u>221,432</u>
Net OPEB liability	17,268,868	-	66,185	17,202,683	-
Net pension liability	<u>2,388,525</u>	-	<u>2,388,525</u>	-	-
Total Governmental Activities	<u>\$34,161,080</u>	<u>\$ -</u>	<u>\$ 2,676,142</u>	<u>\$31,484,938</u>	<u>\$ 221,432</u>

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM LIABILITIES (cont'd)

Payments of bonds payable are expected to be funded by the capital projects fund. Payments of other long-term liabilities are expected to be funded by the general fund.

NOTE 8 INTERNAL TRANSFERS

Interfund transfers for the year ended June 30, 2022 are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 764,340

Transfers from the general fund to the capital projects fund were to cover current year debt service payments. There were no interfund payables or receivables as of June 30, 2022.

NOTE 9 RISK MANAGEMENT

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

NOTE 10 COMMITMENTS AND CONTINGENCIES

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

NOTE 11 UNCERTAINTIES

COVID-19 Pandemic

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30, 2022, economic and operational uncertainties have arisen which may impact the School in fiscal year 2023. While the School has fully resumed in-class learning, there continues to be uncertainty regarding the potential for another resurgence of the virus, which may require another period of remote or hybrid learning. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 11 UNCERTAINTIES (cont'd)

Inflation Rate

The current inflation rate in the United States is the highest it has been in over 40 years. This is causing prices to skyrocket and is making it more expensive for the School to operate. There is no timeframe on when relief is expected from these historic price increases, and it has yet to be determined if governmental assistance will increase in the next calendar year. Other financial impacts could occur though such potential impact is unknown at this time.

Grants

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

NOTE 12 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Communications	\$	13,900
Insurance	\$	3,933
Professional development	\$	54,560
Transportation - buses	\$	6,980
Supplies and materials	\$	75,555
Capital outlays - property	\$	6,646
Capital outlays - equipment	\$	45,229

The excess expenditures were covered by other current year expenditure appropriations that were under budget and overall revenues coming in higher than budgeted.

NOTE 13 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$13,580,862 includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension asset and OPEB liability, and the deferred outflows related to the pension and OPEB plans. This is offset by the School's actuarially determined pension asset and OPEB liability, and the deferred inflows related to the pension and OPEB plans.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 14 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through October 5, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST STATE MONTESSORI ACADEMY, INC.
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges to school districts	\$ 3,010,826	\$ 2,906,980	\$ 2,837,048	\$ (69,932)
State aid	5,353,957	5,133,866	5,318,534	184,668
Federal aid	334,042	371,253	935,087	563,834
Food service revenue	75,000	-	-	-
Contributions	146,715	146,715	58,592	(88,123)
School programs	75,000	75,000	33,993	(41,007)
TOTAL REVENUES	<u>8,995,540</u>	<u>8,633,814</u>	<u>9,183,254</u>	<u>549,440</u>
EXPENDITURES				
Current:				
Salaries	4,500,086	4,410,478	4,347,811	62,667
Employment costs	2,101,927	2,072,960	2,054,254	18,706
Contractual services	1,212,638	727,558	236,676	490,882
Professional development	5,500	5,500	60,060	(54,560)
Public utilities services	200,000	180,000	119,945	60,055
Insurance	50,000	50,000	53,933	(3,933)
Communications	-	-	13,900	(13,900)
Transportation - buses	527,037	541,887	548,867	(6,980)
Repairs and maintenance	255,000	274,665	247,075	27,590
Supplies and materials	387,151	285,268	360,823	(75,555)
Capital outlays:				
Property	-	-	6,646	(6,646)
Equipment	-	-	45,229	(45,229)
Debt Service	764,340	764,340	-	764,340
TOTAL EXPENDITURES	<u>10,003,679</u>	<u>9,312,656</u>	<u>8,095,219</u>	<u>1,217,437</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,008,139)</u>	<u>(678,842)</u>	<u>1,088,035</u>	<u>1,766,877</u>
OTHER FINANCING SOURCES (USES)				
Contingency	25,000	25,000	-	(25,000)
Transfers out	-	-	(764,340)	(764,340)
TOTAL OTHER FINANCING SOURCES (USES)	<u>25,000</u>	<u>25,000</u>	<u>(764,340)</u>	<u>(789,340)</u>
NET CHANGE IN FUND BALANCE	(983,139)	(653,842)	323,695	977,537
FUND BALANCE, BEGINNING OF YEAR	<u>2,457,447</u>	<u>2,457,447</u>	<u>2,457,447</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,474,308</u>	<u>\$ 1,803,605</u>	<u>\$ 2,781,142</u>	<u>\$ 977,537</u>

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

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

<u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>	<u>MEASUREMENT DATE</u>						
	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
School's proportion of the net pension liability (asset)	0.1766%	0.1699%	0.1592%	0.1425%	0.1236%	0.0784%	0.0577%
School's proportion of the net pension liability (asset) - dollar value	\$ (2,151,921)	\$ 2,388,525	\$ 2,479,248	\$ 1,840,653	\$ 1,812,210	\$ 1,181,416	\$ 384,095
School's covered employee payroll	\$ 3,859,294	\$ 3,663,018	\$ 3,304,379	\$ 2,829,741	\$ 2,408,111	\$ 1,495,188	\$ 1,076,757
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	-55.76%	65.21%	75.03%	65.05%	75.25%	79.01%	35.67%
Plan fiduciary net position as a percentage of the total pension liability (asset)	110.48%	87.27%	85.41%	87.49%	85.31%	84.11%	92.67%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

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

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>
Contractually required contribution	\$ 520,855	\$ 475,851	\$ 438,097	\$ 390,842	\$ 294,859	\$ 230,744	\$ 143,239
Contributions in relation to the contractually required contribution	<u>520,855</u>	<u>475,851</u>	<u>438,097</u>	<u>390,842</u>	<u>294,859</u>	<u>230,744</u>	<u>143,239</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 4,183,574	\$ 3,859,294	\$ 3,663,018	\$ 3,304,379	\$ 2,829,741	\$ 2,408,111	\$ 1,495,188
Contributions as a percentage of covered employee payroll	12.45%	12.33%	11.96%	11.83%	10.42%	9.58%	9.58%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

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

<u>PROPORTIONATE SHARE OF NET OPEB LIABILITY</u>	<u>MEASUREMENT DATE</u>				
	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
School's proportion of the net OPEB liability	0.1706%	0.1659%	0.1550%	0.1389%	0.1208%
School's proportion of the net OPEB liability - dollar value	\$ 17,202,683	\$ 17,268,868	\$ 12,352,326	\$ 11,404,995	\$ 9,971,884
School's covered employee payroll	\$ 3,859,294	\$ 3,663,018	\$ 3,304,379	\$ 2,829,741	\$ 2,408,111
School's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	445.75%	471.44%	373.82%	403.04%	414.10%
Plan fiduciary net position as a percentage of the total OPEB liability	6.06%	4.27%	4.89%	4.44%	4.13%

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

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

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 480,303	\$ 455,495	\$ 458,317	\$ 389,541	\$ 312,034
Contributions in relation to the contractually required contribution	<u>480,303</u>	<u>455,495</u>	<u>458,317</u>	<u>389,541</u>	<u>312,034</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 4,183,574	\$ 3,859,294	\$ 3,663,018	\$ 3,304,379	\$ 2,829,741
Contributions as a percentage of covered employee payroll	11.48%	11.80%	12.51%	11.79%	11.03%

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

SUPPLEMENTARY INFORMATION

**FIRST STATE MONTESSORI ACADEMY, INC.
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2022**

	State Allocation	Local Funding	Federal Funding	Total
ASSETS				
Cash and pooled cash	\$ 157,593	\$ 3,711,512	\$ -	\$ 3,869,105
Accounts receivable	-	-	40,185	40,185
TOTAL ASSETS	\$ 157,593	\$ 3,711,512	\$ 40,185	\$ 3,909,290
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ 10,823	\$ -	\$ 10,823
Accrued salaries and employment costs	-	1,077,140	40,185	1,117,325
TOTAL LIABILITIES	-	1,087,963	40,185	1,128,148
 FUND BALANCES:				
Unassigned	157,593	2,623,549	-	2,781,142
TOTAL FUND BALANCES	157,593	2,623,549	-	2,781,142
 TOTAL LIABILITIES AND FUND BALANCES	\$ 157,593	\$ 3,711,512	\$ 40,185	\$ 3,909,290

**FIRST STATE MONTESSORI ACADEMY, INC.
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>State Allocation</u>	<u>Local Funding</u>	<u>Federal Funding</u>	<u>Total</u>
REVENUES				
Charges to school districts	\$ -	\$ 2,837,048	\$ -	\$ 2,837,048
State aid	5,318,534	-	-	5,318,534
Federal aid	-	-	935,087	935,087
Contributions	-	58,592	-	58,592
School programs	-	33,993	-	33,993
TOTAL REVENUES	<u>5,318,534</u>	<u>2,929,633</u>	<u>935,087</u>	<u>9,183,254</u>
EXPENDITURES				
Current:				
Instructional services	3,929,584	1,163,146	725,689	5,818,419
Operation and maintenance of facilities	777,948	726,649	163,525	1,668,122
Transportation	532,667	1,350	14,850	548,867
Food service	-	(12,034)	19,970	7,936
Capital outlays:				
Property	-	34,176	11,053	45,229
Equipment	6,646	-	-	6,646
TOTAL EXPENDITURES	<u>5,246,845</u>	<u>1,913,287</u>	<u>935,087</u>	<u>8,095,219</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>71,689</u>	<u>1,016,346</u>	<u>-</u>	<u>1,088,035</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(764,340)	-	(764,340)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(764,340)</u>	<u>-</u>	<u>(764,340)</u>
NET CHANGE IN FUND BALANCES	71,689	252,006	-	323,695
FUND BALANCES, BEGINNING OF YEAR	<u>85,904</u>	<u>2,371,543</u>	<u>-</u>	<u>2,457,447</u>
FUND BALANCES, END OF YEAR	<u>\$ 157,593</u>	<u>\$ 2,623,549</u>	<u>\$ -</u>	<u>\$ 2,781,142</u>

FIRST STATE MONTESSORI ACADEMY, INC.
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

EXPENDITURES

Current:

Salaries	\$ 4,347,811
Employment costs	2,054,254
Contractual services	236,676
Professional development	60,060
Public utilities services	119,945
Insurance	53,933
Communications	13,900
Transportation - buses	548,867
Repairs and maintenance	247,075
Supplies and materials	360,823

Capital outlays:

Property	404,785
Equipment	45,229

Debt service:

Financing Costs	2,500
Principal	165,000
Interest	608,400

TOTAL EXPENDITURES

\$ 9,269,258

SINGLE AUDIT SUPPLEMENT



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

October 5, 2022

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of First State Montessori Academy, Inc. ("the School"), Wilmington, Delaware, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 5, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Board of Directors
First State Montessori Academy, Inc.

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

Compliance and Other Matters

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

Purpose of This Report

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


BARBACANE, THORNTON & COMPANY LLP



INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

October 5, 2022

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

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited First State Montessori Academy, Inc.'s ("the School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2022. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the School compiled, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence

Board of Directors
First State Montessori Academy, Inc.

we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School's compliance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of its major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

Board of Directors
First State Montessori Academy, Inc.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**FIRST STATE MONTESSORI ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 06/30/21	REVENUE RECOGNIZED	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/22	PASSED THROUGH TO SUB- RECIPIENTS
<u>U.S. Department of Agriculture</u>										
<u>Passed through the Delaware Department of Education</u>										
Child and Adult Care Food Program	I	10.555	07/01/21-06/30/22	N/A	\$ 19,970	\$ -	\$ 19,970	\$ 19,970	\$ -	\$ -
Total U.S. Department of Agriculture					<u>19,970</u>	<u>-</u>	<u>19,970</u>	<u>19,970</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Education</u>										
<u>Passed through the Delaware Department of Education</u>										
Title I - Grants to Local Education Agencies	I	84.010	07/01/20-11/30/22	\$ 58,193	11,633	11,633	-	-	-	-
Title I - Grants to Local Education Agencies	I	84.010	07/01/21-11/30/23	121,009	62,816	22,993	80,008	80,008	40,185	-
Total CFDA #84.010					<u>74,449</u>	<u>34,626</u>	<u>80,008</u>	<u>80,008</u>	<u>40,185</u>	<u>-</u>
IDEA	I	84.027	07/01/20-11/30/21	102,755	18,034	-	18,034	18,034	-	-
IDEA	I	84.027	07/01/21-11/30/22	99,751	99,751	-	99,751	99,751	-	-
IDEA COVID	I	84.027	07/01/21-11/30/22	31,055	29,512	-	29,512	29,512	-	-
Total CFDA #84.027					<u>147,297</u>	<u>-</u>	<u>147,297</u>	<u>147,297</u>	<u>-</u>	<u>-</u>
Elementary and Secondary School Emergency Relief Fund I	I	84.425D	07/01/21-11/30/22	110,310	162	-	162	162	-	-
Elementary and Secondary School Emergency Relief Fund I	I	84.425D	07/01/21-11/30/22	189,966	94,776	-	94,776	94,776	-	-
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	I	84.425U	07/01/21-11/30/23	449,048	281,413	-	281,413	281,413	-	-
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	I	84.425U	08/01/21-12/30/24	12,543	12,453	-	12,453	12,453	-	-
Total CFDA #84.425					<u>388,804</u>	<u>-</u>	<u>388,804</u>	<u>388,804</u>	<u>-</u>	<u>-</u>
Title II - Improving Teacher Quality State Grants	I	84.367	07/01/18-11/30/20	15,954	4,296	-	4,296	4,296	-	-
Title II - Improving Teacher Quality State Grants	I	84.367	07/01/19-11/30/21	15,452	7,561	-	7,561	7,561	-	-
Total CFDA #84.367					<u>11,857</u>	<u>-</u>	<u>11,857</u>	<u>11,857</u>	<u>-</u>	<u>-</u>
Title IV	I	84.424	07/01/21-11/30/23	10,000	10,000	-	10,000	10,000	-	-
Charter Schools Program Grants					<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education					<u>909,558</u>	<u>34,626</u>	<u>915,117</u>	<u>915,117</u>	<u>40,185</u>	<u>-</u>
TOTAL FEDERAL AWARDS					<u>\$ 929,528</u>	<u>\$ 34,626</u>	<u>\$ 935,087</u>	<u>\$ 935,087</u>	<u>\$ 40,185</u>	<u>\$ -</u>

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF ACCOUNTING

The School uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE B FEDERAL EXPENDITURES

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE C INDIRECT COST RATE

The School has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended June 30, 2022, there were no indirect costs included in the schedule of expenditures of federal awards.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FIRST STATE MONTESSORI ACADEMY, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance under the Uniform Guidance?

_____ Yes X No

Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

84.425D, 84.425U

Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

FIRST STATE MONTESSORI ACADEMY, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.