

MONTESSORI SCHOOL OF MAUI, INC.
(A Hawai'i Nonprofit Corporation)

AUDITED FINANCIAL STATEMENTS
(With Independent Auditors' Report)

FOR THE YEAR ENDED JUNE 30, 2025
(With Comparative Totals for the Year Ended June 30, 2024)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Management of
Montessori School of Maui, Inc.
Makawao, Hawai'i 96768

Opinion

We have audited the accompanying financial statements of Montessori School of Maui, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montessori School of Maui, Inc. as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montessori School of Maui, 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 generally accepted 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, including omissions, 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.

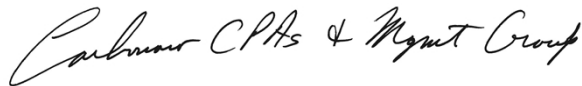
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Montessori School of Maui, 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 Montessori School of Maui, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Montessori School of Maui, Inc.'s 2024 financial statements, and our report dated November 13, 2024, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent in all material respects, with the audited financial statements from which it has been derived.



Wailuku, Hawai'i
November 19, 2025

MONTESSORI SCHOOL OF MAUI, INC.

Statements of Financial Position

As of June 30, 2025 and 2024

	ASSETS	
	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents (Notes 2 and 10)	\$ 2,259,500	\$ 5,166,981
Investments (Notes 8, 9 and 10)	3,844,509	1,656,042
Accounts Receivable (Note 2)	13,703	7,131
Prepaid Expenses and Other Current Assets	25,744	19,462
Total Current Assets	6,143,456	6,849,616
PROPERTY AND EQUIPMENT (Note 2)		
Land	636,867	636,867
Buildings	12,888,914	12,909,545
Furniture and Equipment	488,270	279,431
Construction in Progress	1,086,981	292,548
Accumulated Depreciation	(6,386,965)	(6,047,209)
Net Property and Equipment	8,714,067	8,071,182
TOTAL ASSETS	\$ 14,857,523	\$ 14,920,798
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Prepaid Fees and Tuition from Students (Note 2)	\$ 749,355	\$ 733,966
Accounts Payable	62,377	40,701
Accrued Payroll and Other Accrued Expenses	38,445	31,187
Current Portion of Note Payable (Note 6)	298,012	291,725
Total Current Liabilities	1,148,189	1,097,579
NON-CURRENT LIABILITIES		
Note Payable (Note 6)	2,363,079	2,656,500
TOTAL LIABILITIES	3,511,268	3,754,079
NET ASSETS (Note 3)		
Net Assets Without Donor Restrictions	10,572,420	9,999,827
Net Assets With Donor Restrictions	773,835	1,166,892
Total Net Assets	11,346,255	11,166,719
TOTAL LIABILITIES AND NET ASSETS	\$ 14,857,523	\$ 14,920,798

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

MONTESSORI SCHOOL OF MAUI, INC.

Statement of Activities and Changes in Net Assets
 For the Year Ended June 30, 2025
 (With Comparative Totals for the Year Ended June 30, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Totals	2024 Totals
OPERATING REVENUES AND SUPPORT				
Tuition and Fees	\$ 3,945,290	\$ -	\$ 3,945,290	\$ 3,807,372
Interest and Investment Income	174,174	5,775	179,949	201,609
Annual Giving Revenue	78,851	62,490	141,341	234,892
Contributions and Fundraising	1,596	109,136	110,732	32,886
Unrealized Gain on Investments	72,751	30,905	103,656	64,429
Auxiliary Activities and Other Income	95,300	-	95,300	101,077
Extended Care	77,280	-	77,280	54,950
Grant and Trust Income	-	51,000	51,000	60,406
Capital Campaign Revenue	-	18,750	18,750	550,013
In-Kind Revenue (Note 11)	4,665	-	4,665	1,604
Loss on Disposal of Property and Equipment	(15,795)	-	(15,795)	-
Net Assets Released from Restrictions	671,113	(671,113)	-	-
Total Operating Revenues and Support	5,105,225	(393,057)	4,712,168	5,109,238
EXPENSES				
Program Services	3,571,538	-	3,571,538	3,255,330
Management and General	816,930	-	816,930	717,538
Fundraising	144,164	-	144,164	126,626
Total Expenses	4,532,632	-	4,532,632	4,099,494
CHANGES IN NET ASSETS	\$ 572,593	\$ (393,057)	\$ 179,536	\$ 1,009,744
NET ASSETS, BEGINNING OF YEAR	9,999,827	1,166,892	11,166,719	10,156,975
NET ASSETS, END OF YEAR	\$ 10,572,420	\$ 773,835	\$ 11,346,255	\$ 11,166,719

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

MONTESSORI SCHOOL OF MAUI, INC.

Statement of Functional Expenses
 For the Year Ended June 30, 2025
 (With Comparative Totals for the Year Ended June 30, 2024)

	Program Services	Management and General	Fundraising	2025 Totals	2024 Totals
Salaries and Wages	\$ 1,703,702	\$ 671,973	\$ 118,584	\$ 2,494,259	\$ 2,219,608
Employee Benefits	313,999	72,396	12,776	399,171	357,945
Depreciation and Amortization	351,921	-	-	351,921	360,397
Payroll Taxes	230,028	8,842	1,560	240,430	208,642
Program Activities	119,974	-	-	119,974	50,994
Repairs and Maintenance	106,514	-	-	106,514	118,510
Interest and Fees	105,835	-	-	105,835	116,516
Workshop and Staff Development	72,784	6,022	1,063	79,869	32,788
Classroom Supplies	78,321	-	-	78,321	60,065
Pension Contribution (Note 4)	76,467	-	-	76,467	74,215
Employee Recruitment	70,032	-	-	70,032	47,748
Telephone and Computer Supplies	42,696	21,640	3,819	68,155	57,282
Insurance	65,257	900	159	66,316	49,933
Fundraising and Special Events	57,979	-	-	57,979	71,051
Professional Services	32,172	18,465	3,258	53,895	50,619
Utilities	44,901	-	-	44,901	48,996
Outside Services	22,786	8,083	1,426	32,295	73,117
Marketing (Note 2)	17,606	-	-	17,606	9,920
Dues	13,407	1,458	257	15,122	14,884
Small Equipment	5,788	4,165	735	10,688	9,062
Janitorial Expense	9,754	288	51	10,093	13,355
Bank Fees and Credit Card Fees	7,057	180	32	7,269	6,157
FACTS Account Expense	6,523	-	-	6,523	6,451
In-Kind Expense (Note 11)	4,665	-	-	4,665	1,604
Grant Expenses	4,229	-	-	4,229	15,387
Office Supplies	530	2,518	444	3,492	2,045
Automobile Expense	2,730	-	-	2,730	1,283
Miscellaneous	1,714	-	-	1,714	4,404
Postage and Printing	1,263	-	-	1,263	208
Accrediting and Licensing Costs	904	-	-	904	8,531
Credit Loss	-	-	-	-	7,777
Total Expenses	\$ 3,571,538	\$ 816,930	\$ 144,164	\$ 4,532,632	\$ 4,099,494

MONTESSORI SCHOOL OF MAUI, INC.

Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Tuition and Fees	\$ 3,954,107	\$ 3,688,552
Cash Received from Grant and Trust Income	51,000	60,406
Cash Received from Contributions, Annual Giving and Capital Campaign	270,823	817,791
Cash Received from Interest and Investment Income	179,949	201,609
Cash Received from Employee Retention Credits (Note 14)	-	231,554
Other Cash Receipts	172,580	156,027
Cash Paid for Interest and Fees	(105,835)	(116,516)
Cash Paid to Employees and Vendors	<u>(4,047,559)</u>	<u>(3,571,506)</u>
Net Cash Provided by Operating Activities (Note 5)	475,065	1,467,917
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Used to Purchase Property and Equipment and Construction in Progress	(1,010,601)	(267,230)
Net Purchases of Investments	<u>(2,084,811)</u>	<u>(51,103)</u>
Net Cash Used by Investing Activities	(3,095,412)	(318,333)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Note Payable	<u>(287,134)</u>	<u>(276,452)</u>
Net Cash Used by Financing Activities	(287,134)	(276,452)
Net (Decrease) Increase in Cash and Cash Equivalents for the Year	<u>(2,907,481)</u>	<u>873,132</u>
CASH AND CASH EQUIVALENTS BALANCE, BEGINNING OF YEAR	<u>5,166,981</u>	<u>4,293,849</u>
CASH AND CASH EQUIVALENTS BALANCE, END OF YEAR	<u><u>\$ 2,259,500</u></u>	<u><u>\$ 5,166,981</u></u>

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

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements June 30, 2025

Note 1. ORGANIZATION

Montessori School of Maui, Inc. (the School) was incorporated under the laws of the State of Hawai'i as a not-for-profit corporation on August 26, 1982. The purpose of the School is to operate a child development center and school for children on the island of Maui in accordance with the Montessori Method of education. The students, who range from 18 months to 14 years, are encouraged to develop their maximum potential in a facility where cultural, social and ethnic diversities flourish.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting: The School uses the accrual method of accounting for financial statement reporting according to generally accepted accounting principles. Under this method of accounting, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Accounts Receivable: Accounts receivables represents revenues earned but not yet received. Accounts receivables are written off when deemed uncollectible by management. Management periodically evaluates the adequacy of the allowance for credit losses based on its past experience, current economic conditions, and knowledge of the receivable. Management has determined an allowance for credit losses is not necessary at June 30, 2025 and 2024.

Revenue Recognition: Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions (Note 3). Unconditional promises to donate due in the next year, are reflected as current promises to give and are recorded at their net realizable value. Grants and other contributions of cash are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. In accordance with FASB's ASC Topic 606, *Revenue from Contracts with Customers*, performance obligation related to tuition and fees are recognized over the school year and are fully earned at year end. Grant revenue is recognized as the expenses occur or the services have been provided throughout the fiscal year. Other revenues and donations do not have a specific performance obligation and are generally earned when received.

Property and Equipment: Land, buildings and equipment are stated at cost or at fair value at date of donation. Major renewals and improvements are capitalized, while maintenance and repairs that do not extend the lives of the assets are charged to operations. Management capitalizes renewals and improvements with a useful life greater than one year and a value greater than \$2,000. Depreciation is provided over the estimated useful lives of the assets, which ranges from 3 to 39 years, using the straight-line method. The School periodically reviews the carrying value of property and equipment and will recognize impairments when the fair value is assessed to be less than the assets carrying value. For the years ended June 30, 2025 and 2024, no impairment loss has been recognized.

Construction in Progress: Construction in progress represents expenses incurred on facilities and maintenance projects that are on-going as of year-end and expected to be capitalized upon completion. The School has \$1,086,981 and \$292,548 in construction in progress reported as of June 30, 2025 and 2024, respectively. The majority of Construction in progress relates to the construction of the Kamani Building.

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements
June 30, 2025

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates

Cash and Cash Equivalents: For the purpose of the statement of cash flows, cash is defined as demand deposits, mutual funds, savings accounts, certificates of deposit with maturities of three months or less, and money market accounts.

Concentration of Risk: The financial instruments that potentially expose the School to concentrations of credit risk consist of cash and investments. The School's policy is to deposit its cash with major financial institutions and at times, these cash balances exceed the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) insurance levels. The School's investment policy provides guidance and limitations on investing funds and sets forth risk management guidelines, asset distribution, diversification guidelines and criteria for selection of stocks and bonds. At June 30, 2025 and 2024, the amounts that exceeded the FDIC and SIPC was approximately \$2,001,000 and \$4,709,000, respectively.

Income Taxes: The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and also from State of Hawai'i income taxes under Section 237-23(b) of the Hawai'i Revised Statutes.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the School may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2025 or 2024.

The School's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed. Returns after 2021 are subject to examination.

Marketing: The School expenses marketing as it incurs the expense. Marketing expense was \$17,606 and \$9,920 for the years ended June 30, 2025 and 2024, respectively.

Refundable Advances: Refundable advances represents funds received which were not yet earned, as conditions set forth within grant agreements have not yet been met.

Prepaid Fees and Tuition from Students: Prepaid Fees and Tuition from Students represents prepayments received from students enrolled in the following school year which were not yet earned as of the fiscal year end. These funds will be earned and recorded as revenue in the subsequent year. As of June 30, 2025 and 2024, there was \$749,355 and \$733,966 of Prepaid Fees and Tuition from Students, respectively.

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements
June 30, 2025

Note 3. NET ASSETS

In accordance with ASU 2016-14, Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, the School is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions includes all resources that are not subject to donor-imposed stipulations or contributions with donor-imposed restrictions that are met during the same year as the contribution is made. These net assets may include amounts invested in property and equipment, which reflect the organization's equity in those assets. All net assets without donor restrictions are available to support the organization's ongoing operations and programs.

Net assets with donor restrictions represent funds received from donors to be used for specific purposes. Net assets are released from donor restrictions primarily by incurring expenses that satisfy the restricted purposes, except for net assets with restriction through perpetuity. Net assets with donor restrictions consist of the following as of June 30:

	2025	2024
Endowment Earnings (Note 8)	\$ 223,067	\$ 186,387
Financial Aid	191,149	50,222
Endowment Restricted through Perpetuity (Note 8)	133,920	127,920
CWB Scholarship Fund	113,154	115,751
Hawaiian Scholarship Fund	65,934	76,240
Kokua Charitable Trust	25,097	25,097
Others	17,424	20,055
Technology	4,090	4,000
Kamani Expansion	-	561,220
Total	<u>\$ 773,835</u>	<u>\$ 1,166,892</u>

Endowments restricted through perpetuity consist of various contributions received for the purpose of the financial aid endowment fund. At June 30, 2025 and 2024, the balance of the net assets with donor restrictions through perpetuity was \$133,920 and \$127,920, respectively. See Note 8 for disclosure on endowments.

Note 4. EMPLOYEE RETIREMENT PLAN

The School has entered into a tax-deferred defined contribution plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers qualified employees and establishes individual retirement trust accounts. Eligible employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The School may make contributions to the plan based on a formula included in the plan. The School's contribution to the plan was \$76,467 and \$74,215 for the years ended June 30, 2025 and 2024, respectively.

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements
June 30, 2025

Note 5. RECONCILIATION OF CHANGES IN NET ASSETS WITH NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>2025</u>	<u>2024</u>
Changes in Net Assets	\$ 179,536	\$ 1,009,744
Depreciation and Amortization	351,921	360,397
Credit Loss	-	7,777
Unrealized Gain on Investments	(103,656)	(64,429)
Loss on Disposal of Property and Equipment	15,795	-
Adjustments to Reconcile:		
Change in Employee Retention Credits Receivable	-	231,554
Change in Accounts Receivable	(6,572)	(6,327)
Change in Prepaid Expenses and Other Current Assets	(6,282)	(19,462)
Change in Accounts Payable	21,676	33,545
Change in Accrued Payroll and Other Accrued Expenses	7,258	27,611
Change in Prepaid Fees and Tuition from Students	15,389	(112,493)
Net Cash Provided by Operating Activities	<u>\$ 475,065</u>	<u>\$ 1,467,917</u>

Note 6. NOTE PAYABLE

The School has a note payable with a bank which carries interest at a rate of 3.76% and requires monthly principal and interest payments of \$32,747. The note matures on October 11, 2027 with a lump sum payment. Mortgage is secured by all the assets of the School and has certain covenants that have been met by the School.

Future annual principal payments for note payable as of June 30, 2025 are as follows:

2026	\$ 298,012
2027	309,412
2028	<u>2,053,667</u>
Total	<u>\$ 2,661,091</u>

Note 7. SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 19, 2025, the date the financial statements were available to be issued. There are no recognized subsequent events, events that provide additional evidence about the conditions that existed at the statement of financial position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of financial position date, which are necessary to disclose to keep the financial statements from being misleading.

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements
June 30, 2025

Note 8. ENDOWMENTS

The School's endowment funds consist of donor restricted gifts. The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. At June 30, 2025 and 2024, the endowment net assets amounted to \$364,979 and \$322,299, respectively.

Changes in endowment net assets as follows:

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions through Perpetuity	Total
Endowment Net Assets July 1, 2023	\$ 7,992	\$ 151,393	\$ 121,920	\$ 281,305
Investment Return:				
Investment Income	-	4,294	-	4,294
Net Appreciation	-	30,700	-	30,700
Total Investment Return	-	34,994	-	34,994
Endowment Increase	-	-	6,000	6,000
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets June 30, 2024	\$ 7,992	\$ 186,387	\$ 127,920	\$ 322,299
Investment Return:				
Investment Income	-	5,775	-	5,775
Net Appreciation	-	30,905	-	30,905
Total Investment Return	-	36,680	-	36,680
Endowment Increase	-	-	6,000	6,000
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets June 30, 2025	\$ 7,992	\$ 223,067	\$ 133,920	\$ 364,979

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements
June 30, 2025

Note 8. ENDOWMENTS (Continued)

Endowment net assets composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions through Perpetuity	Total
June 30, 2025				
Donor-restricted endowment	\$ -	\$ 223,067	\$ 133,920	\$ 356,987
Board-designated endowment	7,992	-	-	7,992
Total Funds	<u>\$ 7,992</u>	<u>\$ 223,067</u>	<u>\$ 133,920</u>	<u>\$ 364,979</u>
June 30, 2024				
Donor-restricted endowment	\$ -	\$ 186,387	\$ 127,920	\$ 314,307
Board-designated endowment	7,992	-	-	7,992
Total Funds	<u>\$ 7,992</u>	<u>\$ 186,387</u>	<u>\$ 127,920</u>	<u>\$ 322,299</u>

Interpretation of the law

The Board of Trustees of the School has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies net assets with donor restrictions through perpetuity as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift at the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions through perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, management considers in its determination to appropriate or accumulate donor restricted endowment funds the following factors:

1. The duration and preservation of the fund
2. The purposes of the School and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the School
7. The investment policies of the School

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements
June 30, 2025

Note 8. ENDOWMENTS (Concluded)

Return Objectives and Risk Parameters

The School has adopted investment and spending policies for endowment assets that attempt to provide a total return over longer term consistent with preservation of principal. It is expected that earnings growth will exceed the rate of inflation, as measured by the Consumer Price Index, by at least 2-5 percentage points, measured over a five-year period and that the real purchasing power of the Endowment be maintained.

Strategies Employed for Achieving Objectives

In order to meet the School's return objectives, the Board of Trustees determines appropriate investments with the primary purpose of preservation of capital.

Spending Policy

It is the policy of the School that spending of interest earned from endowments be limited to Board of Trustees approval and concurrent with donor restrictions.

Funds with Deficiencies

From time to time the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the School to retain as a fund of perpetual duration. As of June 30, 2025 there were no deficiencies of this nature.

Note 9. FAIR VALUE MEASUREMENTS

The School implemented ASC 820-10-50-1, as amended by ASU 2018-13, which establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

This fair value hierarchy consists of three broad levels.

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets and have the highest priority.
- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs consist of significant unobservable inputs and include situations where there is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals.

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements
June 30, 2025

Note 9. FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis are as follows, there are no liabilities or other assets measured at fair value on a recurring or non-recurring basis:

Assets	Total June 30, 2025	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3
Certificates of Deposits	\$ 3,005,623	\$ 3,005,623	\$ -	\$ -
Mutual Funds	427,610	427,610	-	-
Exchange-Traded and Closed Ended Funds	254,741	254,741	-	-
Equities	120,836	120,836	-	-
Held in Trust for Unemployment Claims - *	35,699	-	-	35,699
Total	<u>\$ 3,844,509</u>	<u>\$ 3,808,810</u>	<u>\$ -</u>	<u>\$ 35,699</u>

Assets	Total June 30, 2024	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3
Certificates of Deposits	\$ 906,839	\$ 906,839	\$ -	\$ -
Mutual Funds	323,828	323,828	-	-
Exchange-Traded and Closed Ended Funds	279,772	279,772	-	-
Equities	106,918	106,918	-	-
Held in Trust for Unemployment Claims - *	38,685	-	-	38,685
Total	<u>\$ 1,656,042</u>	<u>\$ 1,617,357</u>	<u>\$ -</u>	<u>\$ 38,685</u>

* - The fair value of the investments held for unemployment claims is determined by reference to statements received from the unemployment trust company.

* - The table below presents information about the changes in the investments held for unemployment claims, which is measured at fair value on a recurring basis using significant unobservable inputs for the years ended June 30:

	2025	2024
Balance, beginning of year	\$ 38,685	\$ 41,225
Claims paid	(407)	(1,327)
Allocated income	2,739	3,828
Allocated expenses	(5,318)	(5,041)
Balance, end of year	<u>\$ 35,699</u>	<u>\$ 38,685</u>

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements
June 30, 2025

Note 10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Management's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial Assets at June 30, 2025	\$ 6,104,009
Less those unavailable for general expenditures within one year due to:	
Net Assets With Donor Restrictions	<u>(773,835)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 5,330,174</u>

Note 11. CONTRIBUTED NONFINANCIAL ASSETS

The School follows ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets. Donated goods received at June 30, 2025 and 2024 was \$4,665 and \$1,604, respectively.

Donated services, goods and facilities are recognized as contributions in accordance with *FASB ASC 958-605-25-16, Accounting for Contributions Received and Contributions Made*. Contributions of donated noncash assets are recorded at their fair values in the period received and relate to donations for fundraising events. Donated professional services are reflected in the statement of activities at their fair value at the date of donation. The contribution of services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. However, many individuals volunteer their time and perform a variety of tasks that benefit the School with specific assistance programs, solicitations, and various committee assignments that are not recognized as contributions in the financial statements, because the recognition criteria under *FASB ASC 958-605-25-16* were not met.

Note 12. POWER PURCHASE AGREEMENT

During the fiscal year ended June 30, 2024, the School entered into a power purchase agreement with Sunrise Harvest, LLC (the Sellers). Under the agreement, the Sellers constructed a 26.4 kWpDC solar panel system on the School's property. The School will purchase power from the Sellers for a term of 20 years. At the end of year six, the School has the option to purchase the solar panels at fair market value. If the School does not exercise these options, the solar panels become property of the School at the end of the agreement, which is year twenty. The agreement was not considered a lease under Topic 842 as the School has no rights to make decisions as to the operating of the system and took no part in the design.

Note 13. FUNCTIONAL EXPENSES

The financial statements include a statement of Functional Expenses. Functional expenses are allocated to program related, administrative functions and fundraising. Expense allocations are generally computed based on the number of employees or contractors performing program and administrative functions.

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements
June 30, 2025

Note 14. EMPLOYEE RETENTION CREDITS

During the year ended June 30, 2023, the School applied for the Employee Retention Credit (ERC) under the Coronavirus Aid, Relief and Economic Securities (CARES) Act. Under the ERC program, the School is to be refunded for the employer's portion of Social Security taxes withheld on qualified wages. The amount of credit is limited to 50 to 70 percent of the qualified wages. Total amount of the credit was \$548,449, recognized as revenue, and \$231,554 was included in Employee Retention Credits Receivable in the Statements of Financial Position as of June 30, 2023 and was received in 2024.