

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

AUDITED FINANCIAL STATEMENTS
(With Independent Auditors' Report)

FOR THE YEAR ENDED JUNE 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors 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, 2024, 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, 2024, 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.

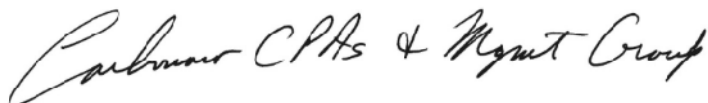
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 2023 financial statements, and our report dated September 19, 2023, 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, 2023, is consistent in all material respects, with the audited financial statements from which it has been derived.



Wailuku, Hawai'i
November 13, 2024

MONTESSORI SCHOOL OF MAUI, INC.

Statements of Financial Position

As of June 30, 2024 and 2023

	ASSETS	
	2024	2023
CURRENT ASSETS		
Cash and Cash Equivalents (Notes 2 and 10)	\$ 5,166,981	\$ 4,293,849
Investments (Notes 9 and 10)	1,656,042	1,540,510
Accounts Receivable (Note 2)	7,131	8,581
Employee Retention Credits Receivable (Note 15)	-	231,554
Prepaid Expenses and Other Current Assets	19,462	-
Total Current Assets	6,849,616	6,074,494
PROPERTY AND EQUIPMENT (Note 2)		
Land	636,867	636,867
Buildings	12,909,545	12,830,156
Furniture and Equipment	279,431	279,431
Construction in Progress	292,548	104,707
Accumulated Depreciation	(6,047,209)	(5,686,812)
Net Property and Equipment	8,071,182	8,164,349
TOTAL ASSETS	\$ 14,920,798	\$ 14,238,843
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Prepaid Fees and Tuition from Students (Note 2)	\$ 733,966	\$ 846,459
Accounts Payable	40,701	7,156
Accrued Payroll and Other Accrued Expenses	31,187	3,576
Current Portion of Note Payable (Note 6)	291,725	280,976
Total Current Liabilities	1,097,579	1,138,167
NON-CURRENT LIABILITIES		
Note Payable (Note 6)	2,656,500	2,943,701
TOTAL LIABILITIES	3,754,079	4,081,868
NET ASSETS (Note 3)		
Net Assets Without Donor Restrictions	9,999,827	9,485,699
Net Assets With Donor Restrictions	1,166,892	671,276
Total Net Assets	11,166,719	10,156,975
TOTAL LIABILITIES AND NET ASSETS	\$ 14,920,798	\$ 14,238,843

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, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Totals	2023 Totals
OPERATING REVENUE AND SUPPORT				
Tuition and Fees	\$ 3,807,372	\$ -	\$ 3,807,372	\$ 3,760,818
Capital Campaign Revenue	-	550,013	550,013	43,750
Annual Giving Revenue	204,778	30,114	234,892	211,077
Interest and Investment Income	197,315	4,294	201,609	101,957
Auxiliary Activities and Other Income	101,077	-	101,077	53,401
Unrealized Gain on Investments	33,729	30,700	64,429	38,078
Grant and Trust Income	2,906	57,500	60,406	57,900
Extended Care	54,950	-	54,950	76,283
Contributions and Fundraising	15,029	17,857	32,886	25,057
In-Kind Revenue (Note 11)	1,604	-	1,604	-
Employee Retention Credits (Note 15)	-	-	-	548,449
Net Assets Released from Restrictions	194,862	(194,862)	-	-
Total Operating Revenue and Support	4,613,622	495,616	5,109,238	4,916,770
EXPENSES				
Program Services	3,255,330	-	3,255,330	3,031,415
Management and General	717,538	-	717,538	611,327
Fundraising	126,626	-	126,626	107,881
Total Expenses	4,099,494	-	4,099,494	3,750,623
CHANGES IN NET ASSETS	\$ 514,128	\$ 495,616	\$ 1,009,744	\$ 1,166,147
NET ASSETS, BEGINNING OF YEAR	9,485,699	671,276	10,156,975	8,990,828
NET ASSETS, END OF YEAR	<u>\$ 9,999,827</u>	<u>\$ 1,166,892</u>	<u>\$ 11,166,719</u>	<u>\$ 10,156,975</u>

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, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Program Services	Management and General	Fundraising	2024 Totals	2023 Totals
Salaries and Wages	\$ 1,538,313	\$ 579,101	\$ 102,194	\$ 2,219,608	\$ 2,044,884
Depreciation and Amortization	360,397	-	-	360,397	361,443
Employee Benefits	287,520	59,861	10,564	357,945	373,139
Payroll Taxes	164,222	37,757	6,663	208,642	192,374
Repairs and Maintenance	118,510	-	-	118,510	85,134
Interest and Fees	116,516	-	-	116,516	126,755
Pension Contribution (Note 4)	74,215	-	-	74,215	71,337
Outside Services	73,117	-	-	73,117	47,331
Fundraising and Special Events	71,051	-	-	71,051	38,053
Classroom Supplies	60,065	-	-	60,065	53,475
Telephone and Computer Supplies	43,871	11,399	2,012	57,282	56,298
Program Activities	50,994	-	-	50,994	79,973
Professional Services	31,452	16,292	2,875	50,619	24,111
Insurance	48,516	1,204	213	49,933	40,763
Utilities	48,996	-	-	48,996	37,514
Employee Recruitment	47,748	-	-	47,748	11,599
Workshop and Staff Development	26,196	5,603	989	32,788	22,995
Grant Expenses	15,387	-	-	15,387	5,124
Dues	13,239	1,398	247	14,884	18,391
Janitorial Expense	13,355	-	-	13,355	12,686
Marketing (Note 2)	9,920	-	-	9,920	9,302
Small Equipment	4,950	3,495	617	9,062	11,804
Accrediting and Licensing Costs	8,531	-	-	8,531	882
Credit Loss (Recovery)	7,777	-	-	7,777	(1,358)
FACTS Account Expense	6,451	-	-	6,451	6,216
Bank Fees and Credit Card Fees	6,157	-	-	6,157	5,687
Miscellaneous	4,404	-	-	4,404	10,146
Office Supplies	365	1,428	252	2,045	2,364
In-Kind Expense (Note 11)	1,604	-	-	1,604	-
Automobile Expense	1,283	-	-	1,283	1,301
Postage and Printing	208	-	-	208	900
Total Expenses	<u>\$ 3,255,330</u>	<u>\$ 717,538</u>	<u>\$ 126,626</u>	<u>\$ 4,099,494</u>	<u>\$ 3,750,623</u>

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

MONTESSORI SCHOOL OF MAUI, INC.

Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Tuition and Fees	\$ 3,688,552	\$ 3,851,038
Cash Received from Grant and Trust Income	60,406	57,900
Cash Received from Contributions, Annual Giving and Capital Campaign	817,791	279,884
Cash Received from Interest and Investment Income	201,609	101,957
Cash Received from Employee Retention Credits (Note 15)	231,554	316,895
Other Cash Receipts	156,027	129,684
Cash Paid for Interest and Fees	(116,516)	(126,755)
Cash Paid to Employees and Vendors	(3,571,506)	(3,273,458)
Net Cash Provided by Operating Activities (Note 5)	1,467,917	1,337,145
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Used to Purchase Property and Equipment and Construction in Progress	(267,230)	(76,373)
Net Purchases of Investments	(51,103)	(23,026)
Net Cash Used by Investing Activities	(318,333)	(99,399)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Note Payable	(276,452)	(266,213)
Net Cash Used by Financing Activities	(276,452)	(266,213)
Net Increase in Cash and Cash Equivalents for the Year	873,132	971,533
CASH AND CASH EQUIVALENTS BALANCE, BEGINNING OF YEAR	4,293,849	3,322,316
CASH AND CASH EQUIVALENTS BALANCE, END OF YEAR	<u>\$ 5,166,981</u>	<u>\$ 4,293,849</u>

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements June 30, 2024

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, 2024 and 2023.

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, 2024 and 2023, 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 \$292,548 and \$104,707 in construction in progress reported as of June 30, 2024 and 2023, respectively.

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements
June 30, 2024

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, 2024 and 2023, the amounts that exceeded the FDIC and SIPC was approximately \$5,709,000 and \$4,755,000, 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 2024 or 2023.

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 2019 are subject to examination.

Marketing: The School expenses marketing as it incurs the expense. Marketing expense was \$9,920 and \$9,302 for the years ended June 30, 2024 and 2023, 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. At June 30, 2024 and 2023, there were \$733,966 and \$846,459 of Prepaid Fees and Tuition from Students, respectively.

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements June 30, 2024

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. Net assets without donor restrictions denoted as property and equipment represent equity in such property and equipment. If the School receives a restricted donation and the restriction is met during the year, it is reported as net assets without donor restrictions.

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:

	2024	2023
Kamani Expansion	\$ 561,220	\$ 77,671
Endowment Earnings (Note 8)	186,387	151,393
Endowment Restricted through Perpetuity (Note 8)	127,920	121,920
CWB Scholarship Fund	115,751	118,950
Hawaiian Scholarship Fund	76,240	77,898
Financial Aid	50,222	41,000
Kokua Charitable Trust	25,097	25,097
Others	20,055	21,847
Technology	4,000	4,000
Playground	-	19,500
Child Care Program	-	12,000
Total	<u>\$ 1,166,892</u>	<u>\$ 671,276</u>

Endowments restricted through perpetuity consist of various contributions received for the purpose of the financial aid endowment fund. At June 30, 2024 and 2023, the balance of the net assets with donor restrictions through perpetuity was \$127,920 and \$121,920, 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 \$74,215 and \$71,337 for the years ended June 30, 2024 and 2023, respectively.

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements
June 30, 2024

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

	<u>2024</u>	<u>2023</u>
Changes in Net Assets	\$ 1,009,744	\$ 1,166,147
Depreciation and Amortization	360,397	361,443
Credit Loss (Recovery)	7,777	(1,358)
Unrealized Gain on Investments	(64,429)	(38,078)
Adjustments to Reconcile:		
Change in Employee Retention Credits Receivable	231,554	(231,554)
Change in Accounts Receivable	(6,327)	(5,206)
Change in Prepaid Expenses and Other Current Assets	(19,462)	12,436
Change in Accounts Payable	33,545	(7,466)
Change in Accrued Payroll and Other Accrued Expenses	27,611	(14,645)
Change in Prepaid Fees and Tuition from Students	(112,493)	95,426
Net Cash Provided by Operating Activities	<u>\$ 1,467,917</u>	<u>\$ 1,337,145</u>

Note 6. NOTE PAYABLE

As of June 30, 2024 and 2023, note payable was as follows:

	<u>2024</u>	<u>2023</u>
Note payable with a bank, carries interest rate of 3.76%, monthly installments \$32,747, which matures on 10/11/2027 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.	\$ 2,948,225	\$ 3,224,677
Less Current Portion	<u>(291,725)</u>	<u>(280,976)</u>
Net Non-Current Portion	<u>\$ 2,656,500</u>	<u>\$ 2,943,701</u>

Future annual principal payments for note payable as of June 30, 2024 are as follows:

2025	291,725
2026	302,884
2027	314,471
2028	<u>2,039,145</u>
Total	<u>\$ 2,948,225</u>

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements June 30, 2024

Note 7. SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 13, 2024, 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.

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, 2024 and 2023, the endowment net assets amounted to \$322,299 and \$281,305, respectively.

Changes in endowment net assets as follows:

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions through Perpetuity	Total
Endowment Net Assets June 30, 2022	\$ 7,992	\$ 127,006	\$ 115,920	\$ 250,918
Investment Return:				
Investment Income	-	38,078	-	38,078
Net Depreciation	-	(13,691)	-	(13,691)
Total Investment Return	-	24,387	-	24,387
Endowment Increase	-	-	6,000	6,000
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets June 30, 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	<u>\$ 7,992</u>	<u>\$ 186,387</u>	<u>\$ 127,920</u>	<u>\$ 322,299</u>

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements
June 30, 2024

Note 8. ENDOWMENTS (Continued)

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

June 30, 2024	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions through Perpetuity	Total
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>

June 30, 2023	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions through Perpetuity	Total
Donor-restricted endowment	\$ -	\$ 151,393	\$ 121,920	\$ 273,313
Board-designated endowment	7,992	-	-	7,992
Total Funds	<u>\$ 7,992</u>	<u>\$ 151,393</u>	<u>\$ 121,920</u>	<u>\$ 281,305</u>

Interpretation of the law

The Board of Directors 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, 2024

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 Directors 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 Director 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, 2024 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, 2024

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, 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>

Assets	Total June 30, 2023	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3
Certificates of Deposits	\$ 860,274	\$ 860,274	\$ -	\$ -
Mutual Funds	287,292	287,292	-	-
Exchange-Traded and Closed Ended Funds	255,550	255,550	-	-
Equities	96,169	96,169	-	-
Held in Trust for Unemployment Claims - *	41,225	-	-	41,225
Total	<u>\$ 1,540,510</u>	<u>\$ 1,499,285</u>	<u>\$ -</u>	<u>\$ 41,225</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:

	2024	2023
Balance, beginning of year	\$ 41,225	\$ 43,412
Deposits	-	8,500
Claims paid	(1,327)	(1,655)
Allocated income (loss)	3,828	(4,110)
Allocated expenses	(5,041)	(4,922)
Balance, end of year	<u>\$ 38,685</u>	<u>\$ 41,225</u>

MONTESSORI SCHOOL OF MAUI, INC.

Notes to the Financial Statements June 30, 2024

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, 2024	\$ 6,823,023
Less those unavailable for general expenditures within one year due to:	
Net Assets With Donor Restrictions	<u>(1,166,892)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 5,656,131</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, 2024 and 2023 were \$1,604 and \$-0-, 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. 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, 2024

Note 14. ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. The standards main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. For entities that have adopted the amendments in ASU 2016-13, the amendments in this update are effective for fiscal years beginning after December 15, 2022. The School adopted ASU 2016-13 effective for the year ending June 30, 2024, and the adoption had no material impact on the School's financial statements as the School has already been analyzing the allowance for credit losses.

Note 15. 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.

Note 16. RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications have no effect on the changes in net assets as previously reported.