

ADELINE MONTESSORI SCHOOL, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2024 AND 2023



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Adeline Montessori School, Inc.
Oconomowoc, Wisconsin

Report on the Audit of the Financial Statements

Unmodified Opinion on 2024 Statement of Financial Position and Qualified Opinion on 2024 Changes in Net Assets and Cash Flows

We have audited the accompanying financial statements of Adeline Montessori School, Inc. (a nonprofit organization), which comprise the statement 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, except for the possible effects on the statements of activities, functional expenses, and cash flows for the year ended June 30, 2024 of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Adeline Montessori School, 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 Unmodified Opinion on 2024 Statement of Financial Position and Qualified Opinion on 2024 Changes in Net Assets and Cash Flows

The 2023 financial statements included cash of \$189,798 at June 30, 2023. Sufficient audit evidence about this amount and the amounts expended for the year ended June 30, 2023 was not able to be obtained as a result of incomplete cash records and supporting documents for expenditures. Consequently, it could not be determined whether any adjustments to cash or expenses were necessary.

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 Adeline Montessori School, 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 unmodified audit opinion on the statement of financial position as of June 30, 2024 and qualified audit opinion on the statements of activities, functional expenses, and cash flows for the year ended June 30, 2024.

Prior Period Financial Statements

The 2023 financial statements of Adeline Montessori School, Inc. were audited by other auditors whose report dated January 19, 2024, expressed a qualified opinion on those statements because of the departure from accounting principles generally accepted in the United States of America described in the Basis for Qualified Opinion section of our report.

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 Adeline Montessori School, 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 auditor's 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 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 Adeline Montessori School, 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 Adeline Montessori School, 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.

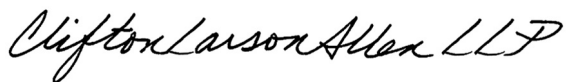
Report on Supplementary Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards as required by the *Wisconsin 2r Charter School Audit Manual issued by the Wisconsin Department of Public Instruction*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2024, on our consideration of Adeline Montessori School, 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 Adeline Montessori School, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Adeline Montessori School, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Racine, Wisconsin
December 13, 2024

ADELINE MONTESSORI SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 312,154	\$ 189,798
Accounts Receivable	168,214	48,440
Allowance for Credit Losses	(77,058)	-
Teacher Education Loans	-	22,857
Prepays and Inventory	8,153	2,000
Security Deposits	38,236	20,000
Related Party Receivable	24,806	24,806
Property and Equipment, Net	327,651	37,581
Operating Right-of-Use Assets, Net	<u>457,582</u>	<u>501,322</u>
Total Assets	<u>\$ 1,259,738</u>	<u>\$ 846,804</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
LIABILITIES		
Accounts Payable	\$ 81,387	\$ 126,718
Accrued Payroll Liabilities	78,879	45,786
Operating Lease Liability	481,770	545,300
Deferred Revenue	3,719	42,190
Note Payable	27,673	-
Related Party Notes Payable	20,486	9,000
Construction Payable	<u>66,188</u>	<u>102,000</u>
Total Liabilities	760,102	870,994
NET ASSETS (DEFICIT)		
Without Donor Restrictions	<u>499,636</u>	<u>(24,190)</u>
Total Liabilities and Net Assets	<u>\$ 1,259,738</u>	<u>\$ 846,804</u>

See accompanying Notes to Financial Statements.

ADELINE MONTESSORI SCHOOL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	<u>Without Donor Restrictions</u>
REVENUES AND SUPPORT	
Contributions	\$ 149,957
Fundraising	21,672
Tuition and Fees, Net	818,704
Grants	2,678,153
Miscellaneous	50,426
In-Kind Donations	541,919
Total Revenues and Support	<u>4,260,831</u>
EXPENSES	
Program Services	3,035,669
Management and General	639,634
Fundraising	61,702
Total Expenses	<u>3,737,005</u>
CHANGE IN NET ASSETS	523,826
Net Deficit - Beginning of Year	<u>(24,190)</u>
NET ASSETS - END OF YEAR	<u><u>\$ 499,636</u></u>

See accompanying Notes to Financial Statements.

ADELINE MONTESSORI SCHOOL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>
REVENUES AND SUPPORT	
Contributions	\$ 4,357
Fundraising	20,994
Tuition and Fees, Net	580,268
Grants	1,466,962
Miscellaneous	<u>58,421</u>
Total Revenues and Support	2,131,002
EXPENSES	
Program Services	1,766,558
Management and General	449,186
Fundraising	<u>35,215</u>
Total Expenses	<u>2,250,959</u>
CHANGE IN NET ASSETS	(119,957)
Net Assets - Beginning of Year	<u>95,767</u>
NET DEFICIT - END OF YEAR	<u><u>\$ (24,190)</u></u>

See accompanying Notes to Financial Statements.

ADELINE MONTESSORI SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 1,839,226	\$ 256,363	\$ 42,772	\$ 2,138,361
Payroll Taxes and Fees	221,889	30,961	5,125	257,975
Employee Benefits	59,970	8,367	1,394	69,731
Utilities	23,955	4,227	-	28,182
Supplies and Materials	262,930	64,500	18	327,448
Field Trips	20,406	-	-	20,406
Depreciation	85,569	9,948	-	95,517
Interest	-	29,352	-	29,352
Training and Development	36,972	-	-	36,972
Credit Losses	-	77,058	-	77,058
Contractor Services	41,978	58,414	2,577	102,969
Insurance	18,086	36,652	142	54,880
Kitchen and Food Service	47,428	-	-	47,428
Dues and Subscriptions	42,375	14,125	-	56,500
Marketing and Promotion	-	-	1,171	1,171
Fundraising	-	-	8,263	8,263
Occupancy	328,673	38,210	-	366,883
Travel and Transportation	126	-	240	366
Miscellaneous Expense	6,086	11,457	-	17,543
Total Expenses by Function	<u>\$ 3,035,669</u>	<u>\$ 639,634</u>	<u>\$ 61,702</u>	<u>\$ 3,737,005</u>

See accompanying Notes to Financial Statements.

ADELINE MONTESSORI SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 964,908	\$ 134,638	\$ 22,440	\$ 1,121,986
Payroll Taxes	77,865	10,865	1,811	90,541
Employee Benefits	45,747	6,383	1,064	53,194
Utilities	30,601	5,400	-	36,001
Supplies and Materials	171,248	30,220	-	201,468
Legal and Professional	-	161,619	-	161,619
Depreciation	16,335	2,227	-	18,562
Interest	16,817	-	-	16,817
Training and Development	114,928	-	-	114,928
Credit Losses	-	21,384	-	21,384
Information Technology	3,562	497	83	4,142
Insurance	13,172	2,325	-	15,497
Instruction	1,301	230	-	1,531
Kitchen and Food Service	1,398	-	-	1,398
Bank Fees	-	875	-	875
Special Event Expenses	-	-	4,781	4,781
Dues and Subscriptions	27,771	9,257	-	37,028
Office Expenses	-	17,538	-	17,538
Repairs and Maintenance	46,756	8,251	-	55,007
Occupancy	212,372	37,477	-	249,849
Travel and Transportation	2,658	-	5,036	7,694
Miscellaneous Expense	19,119	-	-	19,119
Total Expenses by Function	<u>\$ 1,766,558</u>	<u>\$ 449,186</u>	<u>\$ 35,215</u>	<u>\$ 2,250,959</u>

See accompanying Notes to Financial Statements.

ADELINE MONTESSORI SCHOOL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets (Deficit)	\$ 523,826	\$ (119,957)
Adjustments to Reconcile Change in Net Assets (Deficit) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	75,727	18,562
Forgiveness of Loan Payable	-	(50,000)
Credit Losses	77,058	-
Contributions of Property and Equipment	(380,752)	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(119,774)	(20,056)
Grant Receivable	-	269,514
Teacher Education Loans	22,857	7,917
Security Deposit	(18,236)	(15,000)
Prepays	(6,153)	-
Accounts Payable	(45,331)	42,541
Accrued Payroll Liabilities	33,093	3,547
Deferred Rent	-	43,978
Deferred Revenue	(38,471)	36,015
Construction Payable	(35,812)	49,187
Net Cash Provided by Operating Activities	<u>88,032</u>	<u>266,248</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(4,835)</u>	<u>(56,143)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Related Party Notes Payable	288,285	95,000
Payments on Related Party Notes Payable	(276,799)	(130,000)
Advance to Related Party	-	(24,806)
Borrowings on Note Payable	30,000	-
Payments on Note Payable	(2,327)	(9,619)
Net Cash Provided (Used) by Financing Activities	<u>39,159</u>	<u>(69,425)</u>
NET CHANGE IN CASH	122,356	140,680
Cash - Beginning of Year	<u>189,798</u>	<u>49,118</u>
CASH - END OF YEAR	<u>\$ 312,154</u>	<u>\$ 189,798</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 29,352</u>	<u>\$ 16,817</u>

See accompanying Notes to Financial Statements.

ADELINE MONTESSORI SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Adeline Montessori School, Inc. (the School) provides an aid to life through an authentic Montessori Education: helping children achieve their greatest success, develop independence, and live with genuine kindness to others and the world. The School serves children in the Oconomowoc, Wisconsin area.

Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash

Cash is defined as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. The School maintains its bank accounts at one financial institution. Aggregate accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The School did not have uninsured cash at June 30, 2024.

Accounts Receivable

Accounts receivable, including tuition and other receivables, are stated net of the allowance for credit losses. The School does not charge finance charges on past due receivables. The School periodically assesses its methodologies for estimating credit losses in consideration of actual experiences, trends, and changes in the overall economic environment. All accounts or portions thereof deemed to be uncollectible or to require an excess collection cost are written off to the allowance for credit losses.

Teacher Education Loans

As a benefit to the School's teachers, the School will pay tuition for the teacher to obtain training to earn Montessori teaching credentials. The teachers are required to complete certain requirements within a three-year period. If these requirements are met, the loan will be forgiven.

Property and Depreciation

Purchased property is recorded at cost. Depreciation of property is provided using the straight-line method over the length of the lease. The School's policy is to capitalize all expenditures for property and equipment over \$1,000.

The cost of assets sold, retired, or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Any resulting gain or loss on disposal is recognized in the same year. Expenditures for maintenance and repairs are charged against operations.

ADELINE MONTESSORI SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The School determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The School recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. See Note 7 for additional information on the School's leases as of and for the years ended June 30, 2024 and 2023.

ROU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The School has elected to recognize payments for short-term leases with terms of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

The individual operating lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the School has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all operating lease liabilities. For finance lease contracts, the interest rate is imputed based on the value of the equipment and the scheduled payment amounts.

The School has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Deferred Revenue

Deferred revenue consists of tuition paid in advance of the school year.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations. Some donor stipulations are temporary in nature; those stipulations will be met by actions of the School and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

ADELINE MONTESSORI SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when conditions on which they depend are substantially met.

The School reports gifts of cash and other assets as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

School grant revenue is from the Wisconsin Department of Public Instruction, Wisconsin Charter Schools Program, and others to support the growth of high-quality charter schools in Wisconsin, especially those focused on improving academic outcomes for educationally disadvantaged secondary students. It is recognized when received and is recorded as revenue without donor restrictions.

Tuition revenue is recognized as education services are provided over the course of the school year.

Financial Aid and Tuition Reductions

Net tuition and fees reflect the School's actual tuition rates for all students less financial aid and other reductions. Financial aid is given on the basis of financial need. In the current year and as an employee benefit. Financial aid and other tuition discount amounts are netted with tuition and fees in the statements of activities. For the years ended June 30, 2024 and 2023, financial aid and other tuition discounts totaled \$41,466 and \$21,344, respectively.

Expense Allocation

Expenses have been allocated among program services and management and general and fundraising classifications on the basis of time records and estimates made by management.

The financial statements report certain categories of expenses that are attributed to more than one supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Insurance, occupancy, repairs, and maintenance are allocated on a square footage basis; the remaining expense categories are allocated on the basis of estimates of time and effort.

ADELINE MONTESSORI SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

The School is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes. Gifts, grants, and bequests are deductible by donors within limitations of the IRC.

The School evaluates its tax positions based on whether or not the position is more-likely-than-not to be sustained upon examination by taxing authorities. This evaluation includes monitoring changes in tax law and new authoritative rulings for potential implications of its tax status. The School is not aware of any tax positions that would require disclosures. The School has not identified any income it would consider to be unrelated business income.

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. Actual results could differ from those estimates.

Change in Accounting Principle

On July 1, 2023, the School adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13. *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The School adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the School's financial statements but did result in changes to the School's accounting policies, including the recognition of credit losses based on expected future credit losses rather than incurred credit losses. The School also updated its accounting policies for determining the recoverability of accounts receivable.

The School extends credit to customers in the normal course of business. The School uses a combination of historical loss experience, current economic conditions, and forward-looking information to estimate credit losses for financial assets. The School considers various factors such as borrower credit worthiness and probability of default to estimate credit losses. Management has recorded \$77,058 in credit losses on balances outstanding at year end.

ADELINE MONTESSORI SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of June 30:

	2024	2023
Cash	\$ 312,154	\$ 189,798
Accounts Receivable, Net	91,156	48,440
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 403,310</u>	<u>\$ 238,238</u>

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2024	2023
Leasehold Improvements	\$ 310,071	\$ 56,143
Furniture and Equipment	131,659	-
Total Fixed Assets	441,730	56,143
Less: Accumulated Depreciation	(114,079)	(18,562)
Property and Equipment, Net	<u>\$ 327,651</u>	<u>\$ 37,581</u>

Depreciation expense was \$95,517 and \$18,562 for the years ended June 30, 2024 and 2023, respectively.

NOTE 4 RELATED PARTY TRANSACTIONS

During the years ended June 30, 2024 and 2023, the School received loans from the founder and co-founder of the School to cover cash flow shortages. The loans are interest free and are payable when cash flow is available. As of June 30, 2024 and 2023, excess payments of \$24,806 were made to one of the co-founders. As of June 30, 2024 and 2023, there was \$20,486 and \$9,000 in outstanding loans to a member of the board of directors. The School also received a loan during 2022 from a teacher in the amount of \$50,000. This loan was forgiven during the year ended June 30, 2023 and the School recognized contribution revenue for this amount.

NOTE 5 NOTE PAYABLE

In May of 2024, the School obtained a loan from QuickBooks in the amount of \$30,000. The note payable require monthly payments of \$2,696, including interest. The interest rate is 14% and compounds monthly. The loan is due May 15, 2025. The outstanding amount of the loan as of June 30, 2024 is \$27,673.

ADELINE MONTESSORI SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 6 CONSTRUCTION PAYABLE

The School signed a payment agreement with Scherrer Construction Co. Inc. for work performed in a prior period which was contested. The principal is \$102,000 with an interest rate of 8.5%. The remaining balance of this loan is \$66,188 as of June 30, 2024.

Remaining principal payments are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 52,473
2026	13,715
Total	<u>\$ 66,188</u>

NOTE 7 LEASES

The School has operating leases for both campuses expiring in September 2025 and July 2026 and an operating lease for a copier expiring in August 2027. Total monthly payments for all leases are \$27,862. The School is also required to pay common area maintenance costs of \$634 per month for one of their operating leases.

Qualitative information concerning the School's leases for the years ended June 30 is as follows:

	<u>2024</u>	<u>2023</u>
Operating Lease Costs	\$ 311,634	\$ 233,057
Other Information:		
Operating Cash Flows From Lease	\$ 336,631	\$ 177,921
Right-of-Use Assets Obtained in Exchange for		
Lease Obligation	233,053	726,920
Remaining Lease Term	1.6 Years	2.18 Years
Risk-Free Discount Rate	3.45%	3.83%

Future minimum lease payments as of June 30, 2024 under this lease are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 335,695
2026	147,223
2027	13,195
2028	567
Total Lease Payments	496,680
Less: Present Value Discount	14,910
Present Value of Lease Liability	<u>\$ 481,770</u>

ADELINE MONTESSORI SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 8 SIGNIFICANT CONCENTRATIONS

The School received approximately 62% and 69% of its revenues from the Wisconsin Department of Public Instruction for the years ended June 30, 2024 and 2023, respectively.

NOTE 9 REVENUE FROM CONTRACTS WITH CUSTOMERS

In accordance with Topic 606, *Revenue from Contracts with Customers*, the School accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable that the School will collect substantially all of the consideration to which it is entitled. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a customer.

The School generates revenue from tuition and fees for services and student education.

Disaggregation of Revenue

The table below presents net sales disaggregated by timing of revenue recognition and segment:

Segment	Tuition (Net)	
	2024	2023
Timing of Revenue Recognition:		
Services Transferred Over Time	\$ 818,704	\$ 580,268

The following table provides information about accounts receivable and deferred revenue balances:

	June 30,		
	2024	2023	2022
Accounts Receivable, Net	\$ 168,214	\$ 48,440	\$ 28,384
Deferred Revenue	3,719	42,190	6,175

ADELINE MONTESSORI SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 10 IN-KIND DONATIONS

During the year ended June 30, 2024, the School received various donated items and services totaling \$541,919. The School utilizes or monetizes the donated items based on donor intent.

The School received the following in-kind donations for the year ended June 30, 2024:

Property and Equipment	\$ 380,752
Supplies	155,407
Professional Services	<u>5,760</u>
Total	<u><u>\$ 541,919</u></u>

Property and equipment and supplies are valued at the estimated fair value based on retail rates for similar items. Professional services are valued at current market rates for similar services. All in-kind donations were received without donor restrictions.

NOTE 11 SUBSEQUENT EVENTS

The School has evaluated subsequent events through December 13, 2024, the date which the financial statements were available to be issued.



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

Board of Directors
Adeline Montessori School, Inc.
Oconomowoc, Wisconsin

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 Adeline Montessori School, Inc. (the School), which comprise the statement 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, and have issued our report thereon dated December 13, 2024.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 to 2024-004, that we consider to be material weaknesses.

Report on Compliance and Other Matters

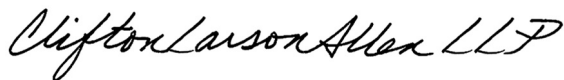
As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Adeline Montessori School's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The School's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



CliftonLarsonAllen LLP

Racine, Wisconsin
December 13, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR STATE
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION**

Board of Directors
Adeline Montessori School, Inc.
Oconomowoc, Wisconsin

Report on Compliance for the Major State Program

Opinion on the Major State Program

We have audited the Adeline Montessori School, Inc.'s (the School) compliance with the types of compliance requirements identified as subject to audit in the *Wisconsin 2r Charter School Audit Manual*, that could have a direct and material effect on the School's major state programs for the year ended June 30, 2024. The School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2024.

Basis for Opinion on the Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Wisconsin 2r Charter School Audit Manual*, issued by the Wisconsin Department of Public Instruction. Our responsibilities under those standards and *Wisconsin 2r Charter School Audit Manual* are further described in the Auditors' 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 we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major state program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

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 state programs.

Auditors' 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 generally accepted auditing standards, *Government Auditing Standards*, and the *Wisconsin 2r Charter School Audit Manual* 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 each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Wisconsin 2r Charter School Audit Manual*, 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 *Wisconsin 2r Charter School Audit Manual*, 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.

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 state 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 state 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 state 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 Auditors' 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 *Wisconsin 2r Charter School Audit Manual*. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Racine, Wisconsin
December 13, 2024

ADELINE MONTESSORI SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	State and Federal Expenditures
Federal Awards			
U.S. Department of Agriculture			
Passed Through the Wisconsin Department of Public Instruction			
Child Nutrition Cluster			
Food Service Aid National School Lunch	10.555	2024-678022-DPI-NSL-547	\$ 39,839
Food Service Aid School Breakfast	10.553	2024-678022-DPI-SB-546	<u>8,629</u>
Total Child Nutrition Cluster			<u>48,468</u>
U.S. Department of Education			
Passed Through the Wisconsin Department of Public Instruction			
Wisconsin Charter Schools Program	84.282	2024-678022-WCSP1-360	(39,558)
IDEA Cluster:			
IDEA Discretionary	84.027	N/A	27,751
IDEA Flow Through Entitlement	84.027	2024-678022-DPI-FLOW-341	44,945
IDEA VIB Preschool Entitlement Public	84.173	2024-678022-DPI-PRESCH-347	<u>9,114</u>
Total IDEA Cluster			<u>81,810</u>
Education Stabilization Funds			
LETRS ESSER III	84.425	N/A	<u>10,000</u>
Total U.S. Department of Education			<u>52,252</u>
Total Expenditures of Federal Awards			<u><u>\$ 100,720</u></u>
State Awards			
Wisconsin Department of Public Instruction			
Special Education and School Age Parents	255.101	678022	\$ 134,723
Charter Schools State Aid	255.289	678022	2,310,017
High Cost Special Education State Aid	255.210	678022	20,351
Educator Effective Eval Sys Grants	255.940	678022	880
Assessments of Reading Readiness Public	255.956	678022	<u>841</u>
Total Expenditures of State Awards			<u><u>\$ 2,466,812</u></u>

ADELINE MONTESSORI SCHOOL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2024

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of Adeline Montessori School, Inc. under programs of the federal and state governments for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of the *Wisconsin 2r Charter School Audit Manual issued by the Wisconsin Department of Public Instruction*. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

NOTE 2 OVERSIGHT AGENCIES

Adeline Montessori School, Inc.'s federal oversight agency is the U.S. Department of Education. The School's state cognizant agency is the Wisconsin Department of Instruction.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Wisconsin 2r Charter School Audit Manual*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 INDIRECT COST RATE

The School did not use the 10% de minimis indirect cost rate.

**ADELINE MONTESSORI SCHOOL, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024**

Section I – Summary of Auditors’ Responses

Financial Statements

1. Type of auditors’ report issued: Qualified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

State Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for major programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with the Wisconsin Public School District Audit Manual? yes x no

Identification of Major State Award

State Assistance Living Number(s)

255.289

Name of State Program

Charter Schools State Aid

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

\$250,000

ADELINE MONTESSORI SCHOOL, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2024

Section II – Financial Statement Findings

2024-001 – Financial Reporting

Condition:	The School's management does not have the necessary training to record year-end adjustments to the general ledger and to prepare the financial statements, including related notes and required supplementary information, in accordance with generally accepted accounting principles (GAAP).
Cause:	The School's management does not have the training to prepare the financial statements and related notes in accordance with GAAP.
Criteria:	One of the components of internal control over financial reporting is that personnel within the entity be sufficiently knowledgeable to record the entity's financial transactions in accordance with GAAP and to prepare the School's financial statements, including related notes and required supplemental information in accordance with those accounting principles.
Effect:	Consequently, during our audit we prepared the School's financial statements and management reviewed and accepted responsibility for the financial statements, including related notes and supplementary information.
Recommendation:	This matter is common in most small organizations since they do not have the resources to devote to this area of internal control. We recommend that the School perform a thorough review of the financial statements prepared by the outside auditor to determine whether they are consistent with management's understanding of the entity.
Management's Response:	See attached corrective action plan.

ADELINE MONTESSORI SCHOOL, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2024

Section II – Financial Statement Findings (Continued)

2024-002 – Material Journal Entries

Condition:	During our audit, we identified and proposed journal entries to various general ledger accounts, which were approved and posted by management. Of the journal entries proposed and accepted by management, several were material to the financial statements.
Cause:	Due to the size of the School and the limited number of accounting personnel, the School lacks an individual skilled in recording financial information in accordance with GAAP.
Criteria:	Internal control systems should include personnel with sufficient education, training and/or experience to record financial information in accordance with GAAP.
Effect:	The effect of improper accounting during the year is that management could be reviewing materially incorrect financial information during the year.
Recommendation:	The School should consider providing additional training to staff who record financial information. We also recommend the accounts be reconciled on a monthly basis.
Management's Response:	See attached corrective action plan.

ADELINE MONTESSORI SCHOOL, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2024

Section II – Financial Statement Findings (Continued)

2024-003 – Segregation of Duties

Condition:	The size of the School is such that its accounting staff is not large enough to provide segregation of duties that would be ideal.
Cause:	Due to limited staff, management is unable to properly segregate duties.
Criteria:	Internal control systems should include procedures to separate duties so that no one individual controls assets and performs the related record keeping.
Effect:	Due to the lack of segregation of duties, unauthorized transactions could occur within the School.
Recommendation:	We recognize that the School is not large enough to make the employment of additional persons for the purpose of segregating duties practical from a financial standpoint. We recommend that the School continue to have the Board of Directors review the financial information.
Management's Response:	See attached corrective action plan.

ADELINE MONTESSORI SCHOOL, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2024

Section II – Financial Statement Findings (Continued)

2024-004 – Related Party Loans Lack Proper Approval

Condition:	A member of the board of directors routinely makes personal loans to the School and processes the reimbursements without approval of other members of management.
Cause:	Due to the timing of payments from the DPI, the School does not always have adequate cash on hand to meet current obligations.
Criteria:	Internal control systems should include procedures for independent members of management and governance to review and approve all related party transactions.
Effect:	Due to the lack of internal controls around related party loans, there is a higher risk that the financial statements are misstated due to errors or fraud.
Recommendation:	We recommend that another person within management reviews and records any related party loan transactions, or that more traditional financing is used to meet operating cash flow needs.
Management's Response:	See attached corrective action plan.

**ADELINE MONTESSORI SCHOOL, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section III – State Award Findings and Responses

None.

Section IV – Other Issues


Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the Wisconsin Public School District Audit Manual:

Department of Public Instruction Yes

Was a management letter or other document conveying audit comments issued as a result of this audit? Yes

Name and Signature of Partner



Steven C. Johnson, CPA

Date of Report

December 13, 2024

**ADELINE MONTESSORI SCHOOL, INC.
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2024**

2023-001 – Financial Reporting

This matter was not resolved. This matter is part of Finding 2024-001 in the current year.

2023-002 – Material Journal Entries

This matter was not resolved. This matter is part of Finding 2024-002 in the current year.

2023-003 – Segregation of Duties

This matter was not resolved. This matter is part of Finding 2024-003 in the current year.

2023-004 – Cash Not Reconciled

This matter was resolved.

2023-005 – Lack of Supporting Documentation

This matter was resolved.

