

# New Discoveries

## Montessori Academy

### Hutchinson, Minnesota

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Audited Financial Statements

For the Fiscal Year Ended  
June 30, 2025

**SCHLENNER  
WENNER & Co.**  
CPAs

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**HUTCHINSON, MINNESOTA**  
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**INTRODUCTORY  
SECTION**

**NEW DISCOVERIES MONTESSORI ACADEMY  
BOARD OF DIRECTORS AND ADMINISTRATION  
FOR THE YEAR ENDED JUNE 30, 2025**

**BOARD OF DIRECTORS**

Term Expires

Timothy Dezelske	Chairperson	June 30, 2028
Jill Montes	Vice-Chairperson	June 30, 2026
Christine La Plante	Secretary	June 30, 2027
Spencer Kangas	Treasurer	June 30, 2028
Samantha Casillas	Member	June 30, 2027
Shari Colvin	Member	June 30, 2028
Patricia Hoerner	Member	June 30, 2026
Tiffany Knox	Member	June 30, 2027

**ADMINISTRATION**

Kirsten Kinzler	Executive Director
Tara Erickson	Director of Operations

**NEW DISCOVERIES AFFILIATED BUILDING COMPANY BOARD OF DIRECTORS**

Kirsten Kinzler	President
Dave Conrad	Treasurer
Tara Erickson	Secretary

**FINANCIAL  
SECTION**

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors  
New Discoveries Montessori Academy  
Hutchinson, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Discoveries Montessori Academy, Hutchinson, Minnesota (the Academy), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

As discussed in Note 1.G. to the financial statements, in fiscal year ended June 30, 2025, the Academy adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New Discoveries Montessori Academy's basic financial statements. The accompanying introductory section, combining nonmajor fund financial statements, and Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and Uniform Financial Accounting and Reporting Standards Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025, on our consideration of New Discoveries Montessori Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Discoveries Montessori Academy's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Schlenner Wenner & Co." The signature is fluid and cursive, with "Schlenner" on the first line and "Wenner & Co." on the second line.

**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

December 1, 2025

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**NEW DISCOVERIES MONTESSORI ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2025**

As management of New Discoveries Montessori Academy (the Academy), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2025.

**FINANCIAL HIGHLIGHTS**

- The liabilities and deferred inflows of resources of the Academy exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$1,872,937 (negative net position). Of this amount, negative \$2,331,103 is considered the unrestricted portion of net position.
- The Academy's total net position decreased \$200,104 as a result of current year operations.
- At the close of the current fiscal year, the Academy's governmental funds reported combined ending fund balances of \$156,157, a decrease of \$278,505 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$7,194, or 0.12 percent of total General Fund expenditures.
- The Academy's long-term debt decreased by \$92,471 (2.0 percent) in the current year.
- During the year ended June 30, 2025, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. As a result of adopting this new accounting standard, the fiscal year 2025 opening net position of the Academy's governmental activities was restated. See additional information at Note 4.D. to the financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain, are summarized in the table on the following page. The remainder of the overview section of the Management Discussion and Analysis highlights the structure and contents of each of the statements.

**NEW DISCOVERIES MONTESSORI ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2025**

**OVERVIEW OF THE FINANCIAL STATEMENTS** (Continued)

	<b>Government-Wide</b>	<b>Fund Financial Statements</b>
		<b>Governmental Funds</b>
<b>Scope</b>	Entire Academy	The activities of the Academy, such as regular instruction, special education and building maintenance, food service, and community education
<b>Required financial statements</b>	Statement of Net Position	Balance Sheet
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
<b>Type of asset/deferred outflows/liability/ deferred inflows information</b>	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; deferred inflows of resources (if any); no capital assets or long-term liabilities included
<b>Type of outflow/inflow information</b>	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Academy's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The *Statement of Activities* presents information showing how the Academy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued but unpaid interest).

Both of the government-wide financial statements distinguish functions of the Academy that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Academy include administration, district support services, regular instruction, exceptional instruction, community education and services, instructional support services, pupil support services, sites and buildings, fiscal and other fixed cost programs, and interest and other fiscal charges. The Academy currently does not report any business-type activities.

The government-wide financial statements start on page 20 of this report.

**NEW DISCOVERIES MONTESSORI ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2025**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Although governments often report multiple types of funds, all of the funds of the Academy are classified as governmental funds.

**Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Academy's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Academy maintains two individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Building Company Fund, which are considered to be major funds. Data from the other two nonmajor governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Academy adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 22 of this report.

**Notes to the Financial Statements**

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 26 of this report.

**Supplementary Information**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary information. Combining fund statements start on page 60 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources, for a net balance of negative \$1,872,937 at the close of the most recent fiscal year.

A significant portion of the Academy's net position reflects its investment in capital assets (e.g., land, leasehold improvements, buildings and improvements, equipment and furniture, and leased equipment), less any related debt used to acquire those assets still outstanding. The Academy uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**NEW DISCOVERIES MONTESSORI ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2025**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Net Position**

**Table 1**

	Governmental Activities		
	2025	2024	Increase (Decrease)
<b>Assets</b>			
Current and Other Assets	\$ 1,316,889	\$ 787,169	\$ 529,720
Capital Assets	<u>4,682,744</u>	<u>4,821,069</u>	<u>(138,325)</u>
<b>Total Assets</b>	<b>5,999,633</b>	<b>5,608,238</b>	<b>391,395</b>
Deferred Outflows of Resources	702,524	963,318	(260,794)
<b>Liabilities</b>			
Current and Other Liabilities	1,160,732	382,397	778,335
Noncurrent Liabilities	<u>6,321,230</u>	<u>7,571,402</u>	<u>(1,250,172)</u>
<b>Total Liabilities</b>	<b>7,481,962</b>	<b>7,953,799</b>	<b>(471,837)</b>
Deferred Inflows of Resources	1,093,132	268,351	824,781
<b>Net Position</b>			
Net Investment in Capital Assets	256,613	302,467	(45,854)
Restricted	201,553	157,955	43,598
Unrestricted	<u>(2,331,103)</u>	<u>(2,111,016)</u>	<u>(220,087)</u>
<b>Total Net Position</b>	<b><u>\$ (1,872,937)</u></b>	<b><u>\$ (1,650,594)</u></b>	<b><u>\$ (222,343)</u></b>

An additional portion of the Academy's net position (\$201,553) represent resources that are subject to external restrictions on how they may be used. The remaining unrestricted balance of net position is negative \$2,331,103 at year end. This unrestricted balance has been reduced by a total of \$2,258,004 as a result of recording the Academy's proportionate share of the net pension liability and related balances for the statewide pension plans in which Academy employees participate.

**NEW DISCOVERIES MONTESSORI ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2025**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position**

The Academy's net position decreased \$200,104 during the most recent fiscal year. Key elements of this decrease are as follows:

**Changes in Net Position**

**Table 2**

	Governmental Activities		
	2025	2024	Increase (Decrease)
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 45,654	\$ 77,075	\$ (31,421)
Operating Grants and Contributions	4,266,974	4,068,528	198,446
Capital Grants and Contributions	24,009	27,686	(3,677)
General Revenues			
State Aid Not Restricted to Specific Programs	1,753,088	1,752,249	839
Earnings on Investments	319	439	(120)
Gifts and Donations	7,366	14,680	(7,314)
Miscellaneous	9,560	(181)	9,741
<b>Total Revenues</b>	<b>6,106,970</b>	<b>5,940,476</b>	<b>166,494</b>
<b>Expenses</b>			
Administration	171,924	214,029	(42,105)
District Support Services	382,794	347,912	34,882
Regular Instruction	1,128,521	1,238,259	(109,738)
Exceptional Instruction	2,035,106	1,972,583	62,523
Community Education and Services	19,460	40,226	(20,766)
Instructional Support Services	103,383	88,545	14,838
Pupil Support Services	1,752,880	1,353,854	399,026
Sites and Buildings	338,460	348,948	(10,488)
Fiscal and Other Fixed Costs Programs	43,837	42,486	1,351
Interest and Other Fiscal Charges	330,709	288,089	42,620
<b>Total Expenses</b>	<b>6,307,074</b>	<b>5,934,931</b>	<b>372,143</b>
<b>Change in Net Position</b>	<b>(200,104)</b>	<b>5,545</b>	<b>(205,649)</b>
<b>Net Position - Beginning of Year</b>	<b>(1,672,833)</b>	<b>(1,656,139)</b>	<b>(16,694)</b>
(6/30/2024 Restated)			
<b>Net Position - End of Year</b>	<b>\$ (1,872,937)</b>	<b>\$ (1,650,594)</b>	<b>\$ (222,343)</b>

**NEW DISCOVERIES MONTESSORI ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2025**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

Some significant items to note include the following:

- The current year decrease in net position was \$200,104, compared to an increase of \$5,545 in the prior year. This is the result of a 2.8 percent increase in revenues and a 6.3 percent increase in expenses during fiscal year 2025.
- Operating grants and contributions increased \$198,446, primarily due to receiving additional special education funding from the State of Minnesota.
- Expenses related to pupil support services increased \$399,026, primarily due to an increase in costs related to bussing transportation. These costs fluctuate year to year based on the transportation needs of the Academy.

**Total and Net Cost of Governmental Activities**

The net cost of governmental activities is their total costs less program revenues applicable to each category. The following table presents these total and net costs.

**Total and Net Costs of Services**  
**Table 3**

	Total Cost of Services			Net Cost of Services		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Administration	\$ 171,924	\$ 214,029	\$ (42,105)	\$ 171,924	\$ 214,029	\$ (42,105)
District Support Services	382,794	347,912	34,882	382,794	347,912	34,882
Regular Instruction	1,128,521	1,238,259	(109,738)	360,757	507,805	(147,048)
Exceptional Instruction	2,035,106	1,972,583	62,523	(931,339)	(850,438)	(80,901)
Community Education and Services	19,460	40,226	(20,766)	3,000	17,300	(14,300)
Instructional Support Services	103,383	88,545	14,838	66,435	68,545	(2,110)
Pupil Support Services	1,752,880	1,353,854	399,026	1,497,974	1,080,250	417,724
Sites and Buildings	338,460	348,948	(10,488)	44,346	45,664	(1,318)
Fiscal and Other Fixed Costs Programs	43,837	42,486	1,351	43,837	42,486	1,351
Interest and Other Fiscal Charges	330,709	288,089	42,620	330,709	288,089	42,620
 Totals	 \$ 6,307,074	 \$ 5,934,931	 \$ 372,143	 \$ 1,970,437	 \$ 1,761,642	 \$ 208,795

Some significant items to note include the following:

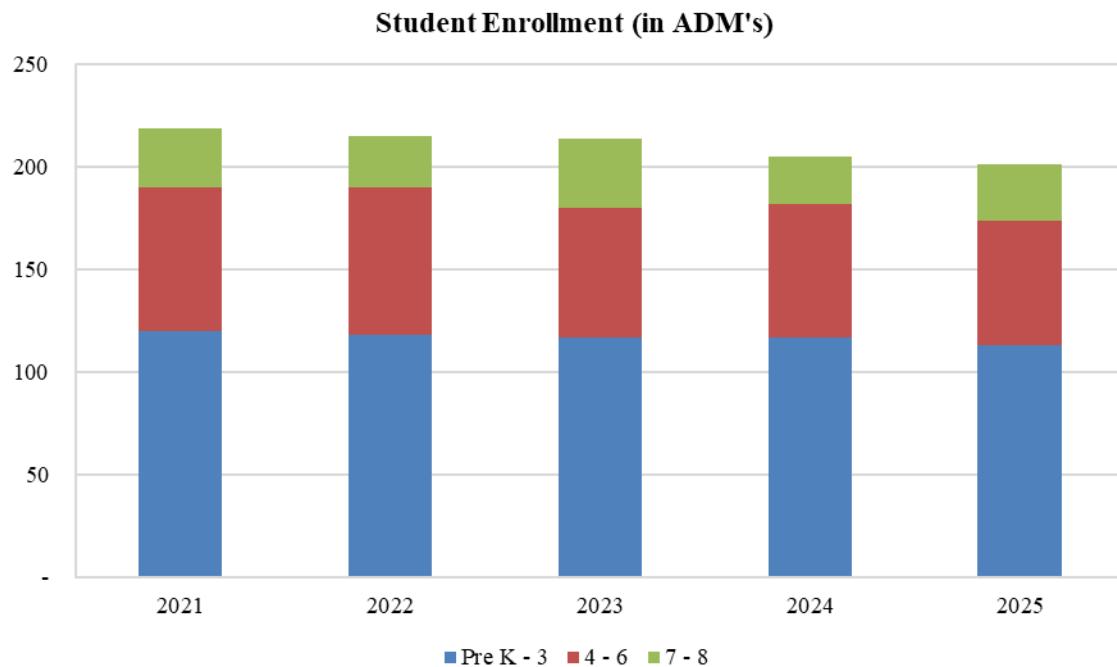
- Net costs related to pupil support services increased \$417,724 (38.7 percent), primarily due to increased costs for bussing transportation, as discussed above, in conjunction with a decrease in the Federal aid revenues applied to this program.
- Net costs related to regular instruction decreased \$147,048 (29.0 percent), primarily due to a decrease in contracted service costs.

**NEW DISCOVERIES MONTESSORI ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2025**

**FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS**

The majority of the financial aid received by the Academy is determined based on the number of students enrolled during the year. Therefore, fluctuations in enrollment have a significant impact on the financial health of the Academy. The following graphs show the trend in student enrollment counts over the past five years:

<b>Student Enrollment (Average Daily Membership)</b>					
	2021	2022	2023	2024	2025
Pre K - 3	120	118	117	117	113
4 - 6	70	72	63	65	61
7 - 8	29	25	34	23	27
Total Student for Aid	219	215	214	205	201
Percentage Change	-1.35%	-1.83%	-0.47%	-4.21%	-1.95%



As noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**NEW DISCOVERIES MONTESSORI ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2025**

**FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS (Continued)**

**Governmental Funds**

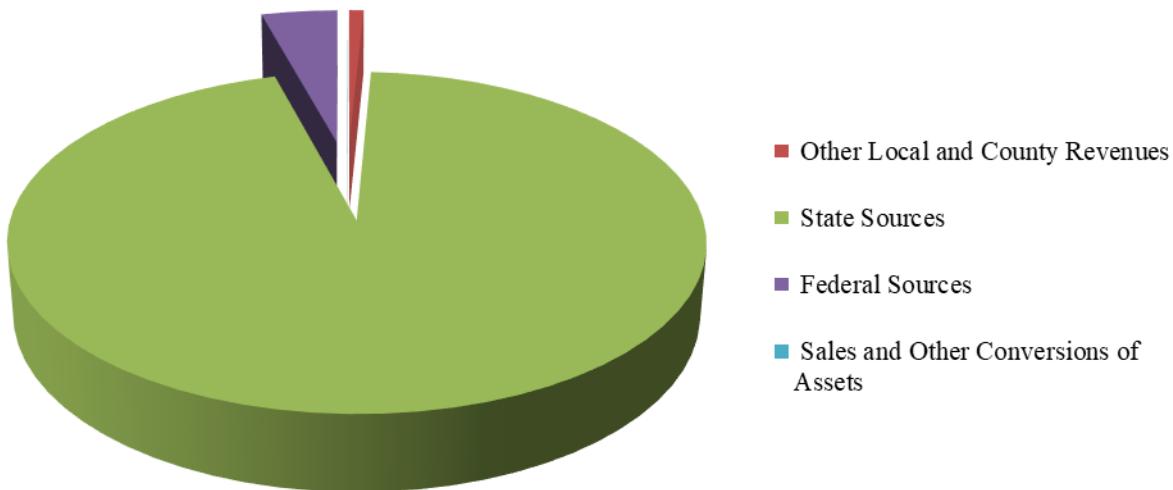
The focus of the Academy's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Academy's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Academy's governmental funds reported combined ending fund balances of \$156,157, a decrease of \$278,505 in comparison with prior year. The following is a summary of the Academy's major funds:

Major Fund	Fund Balance June 30,		Increase (Decrease)
	2025	2024	
<b>General</b>	\$ 128,250	\$ 391,701	\$ (263,451)

The fund balance of the General Fund decreased by \$263,451. Revenues increased approximately 2.9 percent from the prior year, while expenditures increased approximately 10.8 percent. Operations were generally consistent with the prior year, with the exception of an increase in pupil support services related to increased transportation costs in fiscal year 2025, as previously discussed.

**General Fund Revenue**

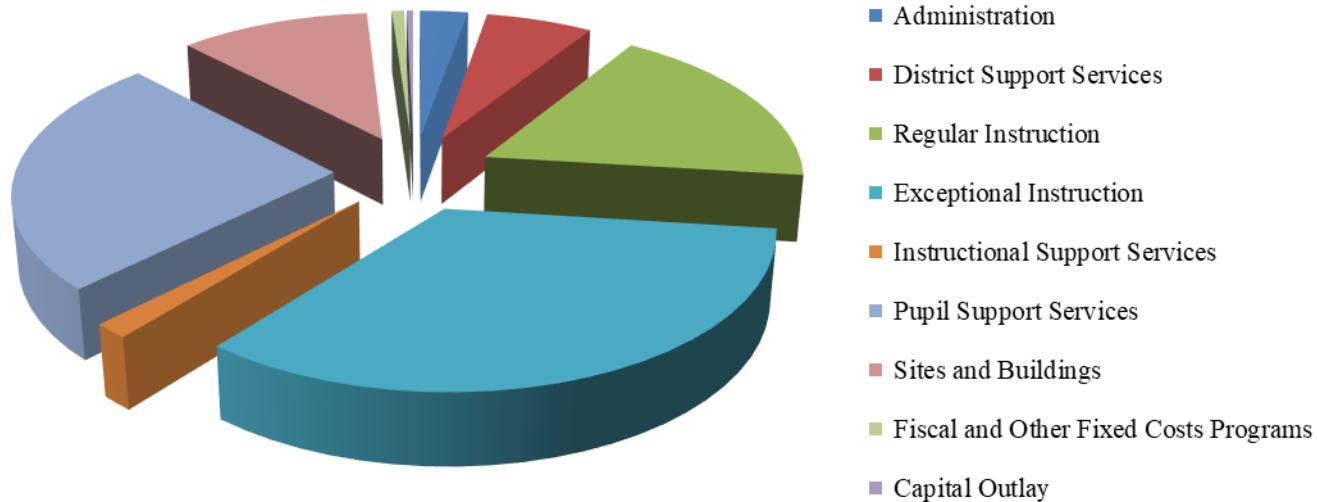


The Academy receives the vast majority of its funding in the General Fund from the State of Minnesota (95 percent), which is subject to fluctuation based on the number of pupils served by the Academy and changes in State legislation. In addition, the Academy receives approximately 4 percent of its General Fund revenues from Federal sources and approximately 1 percent from other local and county sources.

**NEW DISCOVERIES MONTESSORI ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2025**

**FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS (Continued)**

**General Fund Expenditures**



A significant portion of the Academy's General Fund expenditures are used for regular and exceptional instruction (52 percent). Expenditures for various support services total 33 percent, and the remaining 15 percent consists of expenditures for administration, sites and buildings, and other items.

Major Fund	Fund Balance June 30,		Increase (Decrease)
	2025	2024	
<b>Building Company</b>	\$ (106,544)	\$ (74,361)	\$ (32,183)

The fund balance of the Building Company Fund decreased by \$32,183. Revenues remained consistent with the prior year and expenditures increased approximately 25.2 percent. Debt service expenditures experienced the greatest increase in comparison to the prior year.

**General Fund Budgetary Highlights**

The Academy's General Fund budget was amended during the year. The revenues budget was increased by \$89,936, and the expenditures budget was changed in several functions for an overall increase of \$340,925 from original to final. The final budget called for expenditures of \$6,200,853 and a decrease in fund balance of \$198,148. Actual revenues recognized during the year were less than budgeted amounts by \$215,424, largely due to less aid received from State Sources than anticipated. Actual expenditures were less than budgeted amounts by \$130,689, primarily due to fewer costs incurred for exceptional instruction than anticipated.

**NEW DISCOVERIES MONTESSORI ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2025**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Academy's investment in capital assets for its governmental activities as of June 30, 2025 amounts to \$4,682,744 (net of accumulated depreciation and amortization). This investment in capital assets consists of land, leasehold improvements, buildings and improvements, equipment and furniture, and leased equipment. The total decrease in the Academy's investment in capital assets for the current fiscal year was approximately 2.9 percent.

Major capital asset events during the current fiscal year included:

- The Academy entered into an agreement to lease copier equipment. The present value of this agreement totaled \$19,432.

**Capital Assets Net of Depreciation and Amortization**

**Table 4**

	Governmental Activities			Increase (Decrease)
	2025	2024		
Land	\$ 395,000	\$ 395,000	\$ -	-
Leasehold Improvements	44,586	55,726	(11,140)	(11,140)
Buildings and Improvements	4,054,522	4,152,094	(97,572)	(97,572)
Equipment and Furniture	170,499	218,249	(47,750)	(47,750)
Leased Equipment	18,137	-	18,137	18,137
 Total	 \$ 4,682,744	 \$ 4,821,069	 \$ (138,325)	 -

Additional information on the Academy's capital assets can be found in Note 2.B. on page 33 of this report.

**Long-Term Debt**

At the end of the current fiscal year, the Academy had total long-term debt outstanding of \$4,426,131, excluding the Academy's net pension liability of \$1,867,396 and compensated absences liability of \$27,703. A summary of long-term debt activity for the year ended June 30, 2025 follows:

**Long-Term Debt**  
**Table 5**

	Governmental Activities			Increase (Decrease)
	2025	2024		
Loans Payable	\$ 4,407,781	\$ 4,518,602	\$ (110,821)	(110,821)
Lease Liabilities	18,350	-	18,350	18,350
 Total	 \$ 4,426,131	 \$ 4,518,602	 \$ (92,471)	 -

The Academy's total debt decreased by \$92,471 (2.0 percent) during the current fiscal year. Additional information on the Academy's long-term debt can be found in Note 2.D. on page 34 of this report.

**NEW DISCOVERIES MONTESSORI ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2025**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Academy's appointed and elected officials considered many factors when setting the fiscal year 2026 budget. These factors included the following:

- The Academy's enrollment is projected to remain constant, which requires strategic planning of staffing and allocation of supplies as related to the budget.
- Budgets include normal inflationary increases in expenditures, with more significant increases expected in educational support staff, instructional materials, and equipment.
- Inflationary increases of 2.74 percent in fiscal year 2026 and 2.00 percent in fiscal year 2027 have been factored into the budgets.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact New Discoveries Montessori Academy, 1000 5<sup>th</sup> Ave SE, Hutchinson, MN 55350.

## **BASIC FINANCIAL STATEMENTS**

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

	Governmental Activities
<b>ASSETS</b>	
Cash and Temporary Investments	\$ 362,691
Accounts Receivable	205
Due from Minnesota Department of Education	778,168
Due from Federal through Minnesota Department of Education	80,665
Due from Federal Received Directly	46,391
Prepays	48,769
Capital Assets not Being Depreciated or Amortized	395,000
Capital Assets Being Depreciated or Amortized (Net)	<u>4,287,744</u>
<b>TOTAL ASSETS</b>	<b>5,999,633</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	702,524
<b>LIABILITIES</b>	
Accounts Payable	200,849
Salaries Payable	193,014
Payroll Deductions and Employer Contributions	103,488
Short-Term Debt	625,259
Unearned Revenue	38,122
Noncurrent Liabilities:	
Amount Due Within One Year	302,791
Amount Due After One Year	4,151,043
Net Pension Liability	<u>1,867,396</u>
<b>TOTAL LIABILITIES</b>	<b>7,481,962</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	<u>1,093,132</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	256,613
Restricted:	
General Fund State-Mandated Restrictions	67,739
Food Service	118,064
Community Service	15,750
Unrestricted	<u>(2,331,103)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ (1,872,937)</u></b>

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Administration	\$ 171,924	\$ -	\$ -	\$ -	\$ (171,924)
District Support Services	382,794	-	-	-	(382,794)
Regular Instruction	1,128,521	33,314	734,450	-	(360,757)
Exceptional Instruction	2,035,106	-	2,966,445	-	931,339
Community Education and Services	19,460	1,460	15,000	-	(3,000)
Instructional Support Services	103,383	-	36,948	-	(66,435)
Pupil Support Services	1,752,880	10,880	244,026	-	(1,497,974)
Sites and Buildings	338,460	-	270,105	24,009	(44,346)
Fiscal and Other Fixed Costs Programs	43,837	-	-	-	(43,837)
Interest and Other Fiscal Charges	330,709	-	-	-	(330,709)
 Total Governmental Activities	 <u>\$ 6,307,074</u>	 <u>\$ 45,654</u>	 <u>\$ 4,266,974</u>	 <u>\$ 24,009</u>	 <u>(1,970,437)</u>
 <b>General Revenues:</b>					
State Aid Not Restricted to Specific Programs					1,753,088
Earnings on Investments					319
Gifts and Donations					7,366
Miscellaneous					<u>9,560</u>
 Total General Revenues	 <u></u>	 <u></u>	 <u></u>	 <u></u>	 <u>1,770,333</u>
 <b>CHANGE IN NET POSITION</b>					
					(200,104)
 <b>NET POSITION - BEGINNING OF YEAR</b>					
(As Previously Reported)					(1,650,594)
 <b>ADJUSTMENTS AND RESTATEMENTS</b>					
Restatement - Change in Accounting Principle					<u>(22,239)</u>
 <b>NET POSITION - BEGINNING OF YEAR</b>					
(As Restated)					<u>(1,672,833)</u>
 <b>NET POSITION - END OF YEAR</b>					
					<u>\$ (1,872,937)</u>

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2025**

	Building General Fund	Nonmajor Company Fund	Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Temporary Investments	\$ 118,153	\$ 93,098	\$ 151,440	\$ 362,691
Accounts Receivable	5	-	200	205
Due from Other Funds	137,383	-	-	137,383
Due from Minnesota				
Department of Education	778,168	-	-	778,168
Due from Federal through Minnesota				
Department of Education	80,665	-	-	80,665
Due from Federal Received Directly	46,391	-	-	46,391
Prepays	48,132	-	637	48,769
<b>TOTAL ASSETS</b>	<b><u>\$ 1,208,897</u></b>	<b><u>\$ 93,098</u></b>	<b><u>\$ 152,277</u></b>	<b><u>\$ 1,454,272</u></b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 200,849	\$ -	\$ -	\$ 200,849
Salaries Payable	187,271	-	5,743	193,014
Due to Other Funds	-	137,383	-	137,383
Payroll Deductions and				
Employer Contributions	92,427	-	11,061	103,488
Short-Term Debt	600,000	25,259	-	625,259
Unearned Revenue	100	37,000	1,022	38,122
<b>Total Liabilities</b>	<b><u>1,080,647</u></b>	<b><u>199,642</u></b>	<b><u>17,826</u></b>	<b><u>1,298,115</u></b>
<b>FUND BALANCES</b>				
Nonspendable	48,132	-	637	48,769
Restricted	67,739	-	133,814	201,553
Committed	5,185	-	-	5,185
Unassigned	7,194	(106,544)	-	(99,350)
<b>Total Fund Balances</b>	<b><u>128,250</u></b>	<b><u>(106,544)</u></b>	<b><u>134,451</u></b>	<b><u>156,157</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,208,897</u></b>	<b><u>\$ 93,098</u></b>	<b><u>\$ 152,277</u></b>	<b><u>\$ 1,454,272</u></b>

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

Total Fund Balances - Governmental Funds \$ 156,157

Amounts reported for governmental activities in the Statement of Net Position  
 are different because:

Capital assets used in governmental activities are not current financial resources  
 and, therefore, are not reported as assets in the governmental funds:

Capital Assets	\$ 6,086,156
Accumulated Depreciation and Amortization	<u>(1,403,412)</u>
Capital Assets (Net)	4,682,744

Long-term liabilities are not due and payable in the current period and, therefore,  
 are not reported as liabilities in the governmental funds:

Lease Liabilities	(18,350)
Loans Payable	(4,407,781)
Compensated Absences	<u>(27,703)</u>
	(4,453,834)

The net pension liability and related deferred outflows/inflows represent the  
 allocation of the pension obligations of the statewide plans to the Academy.

Such balances are not reported in the governmental funds:

Net Pension Liability	(1,867,396)
Deferred Outflows - Pensions	702,524
Deferred Inflows - Pensions	<u>(1,093,132)</u>
	<u>(2,258,004)</u>

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ (1,872,937)

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	Building General Fund	Company Fund	Formerly Major Fund Food Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Other Local and County Revenues	\$ 46,424	\$ 444,005		\$ 4,460	\$ 494,889
State Sources	5,496,273	-		43,787	5,540,060
Federal Sources	243,454	-		195,239	438,693
Sales and Other Conversions of Assets	1,130	-		10,880	12,010
<b>TOTAL REVENUES</b>	<b>5,787,281</b>	<b>444,005</b>		<b>254,366</b>	<b>6,485,652</b>
<b>EXPENDITURES</b>					
Current:					
Administration	169,448	-		-	169,448
District Support Services	377,315	15,181		-	392,496
Regular Instruction	1,085,506	-		-	1,085,506
Exceptional Instruction	2,057,169	-		-	2,057,169
Community Education and Services	-	-		19,460	19,460
Instructional Support Services	96,100	-		-	96,100
Pupil Support Services	1,533,729	-		217,777	1,751,506
Sites and Buildings	672,904	-		-	672,904
Fiscal and Other Fixed Cost Programs	43,837	-		-	43,837
Capital Outlay	22,661	-		-	22,661
Debt Service:					
Principal	1,082	110,821		-	111,903
Interest and Other Charges	10,413	350,186		-	360,599
<b>TOTAL EXPENDITURES</b>	<b>6,070,164</b>	<b>476,188</b>		<b>237,237</b>	<b>6,783,589</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(282,883)</b>	<b>(32,183)</b>		<b>17,129</b>	<b>(297,937)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Lease Proceeds	19,432	-		-	19,432
<b>NET CHANGE IN FUND BALANCES</b>	<b>(263,451)</b>	<b>(32,183)</b>		<b>17,129</b>	<b>(278,505)</b>
<b>FUND BALANCES - BEGINNING</b> (As Previously Reported)	391,701	(74,361)	\$ 101,572	15,750	434,662
<b>ADJUSTMENTS AND RESTATEMENTS</b>					
Adjustment - Change in Major Funds	-	-	(101,572)	101,572	-
<b>FUND BALANCES - BEGINNING</b> (As Adjusted)	391,701	(74,361)	-	117,322	434,662
<b>FUND BALANCES - ENDING</b>	<b>\$ 128,250</b>	<b>\$ (106,544)</b>	<b>\$ -</b>	<b>\$ 134,451</b>	<b>\$ 156,157</b>

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balances - Total Governmental Funds \$ (278,505)

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation and amortization expense:

Capital Outlay Capitalized	\$ 19,432
Depreciation and Amortization Expense	<u>(157,757)</u>
(138,325)	

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long-term debt and related items:

Lease Principal Repayments	1,082
Mortgage Loan Principal Payments	110,821
Capital Lease Proceeds	<u>(19,432)</u>
92,471	

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due: 29,890

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated Absences Payable	(5,464)
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Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net Pension Liability and Deferred Outflows/Inflows of Resources	<u>99,829</u>
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**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ (200,104)

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.A. FINANCIAL REPORTING ENTITY**

New Discoveries Montessori Academy (the Academy) is an educational entity established in December 2005 in accordance with Minnesota Statutes. The Academy is authorized by Osprey Wilds Environmental Learning Center and is operating under a contract extending through the 2027-2028 school year. The Academy is directed by an elected eight-member Board of Directors (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the Academy. The accompanying financial statements present the government entities for which the Academy is considered to be financially accountable.

The Academy has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Academy are such that exclusion would cause the Academy's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government.

Aside from its authorizer relationship, Osprey Wilds Environmental Learning Center has no authority, control, power, or administrative responsibilities over New Discoveries Montessori Academy. Therefore, the Academy is not considered a component unit of Osprey Wilds Environmental Learning Center.

**Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Board of Directors or the component unit provides services entirely to the Academy. These component units' funds are blended into those of the Academy's by appropriate activity type to compose the primary government presentation. The Academy's blended component unit consists of:

**New Discoveries Affiliated Building Company (NDABC)**

The NDABC was established in 2017 as a nonprofit organization formed solely for the purpose of maintaining and managing a building rented to New Discoveries Montessori Academy. The revenues of the NDABC consist primarily of the rent received from the Academy, and the mortgage debt of the NDABC is guaranteed by the Academy as the sole tenant. The financial activity of the NDABC has been incorporated into the Academy's basic financial statements.

**Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Academy has no discretely presented component units.

**Tax Status**

The Academy is recognized by the Internal Revenue Service as a not-for-profit organization under IRS Code Section 501(c)(3). Due to the not-for-profit nature and provisions of the Academy, all income and expenses attributable to the mission of the Academy are tax exempt and accordingly no provisions or liability for income taxes have been made in the financial statements and contributions to the Academy are tax deductible to donors as allowed by IRS regulations. However, the Academy is required to pay state and federal income taxes on unrelated business income. If the Academy were to engage in any activities that resulted in unrelated business income, a tax would be assessed on that activity. The Academy is open and subject to examination generally for three years after the filing date.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. For the most part, interfund activities have been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The financial statements of New Discoveries Montessori Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are classified by function for governmental activities.

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

Governmental Funds – By Character	Current (further classified by function) Capital Outlay Debt Service
-----------------------------------	--

Intergovernmental revenue and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**  
(Continued)

The Academy reports the following governmental funds:

The *General Fund* is the Academy's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Building Company Fund* is a special revenue fund used to account for the financial activity of the building company blended component unit. Activity of the building company consists primarily of rent charged to the Academy, which in turn is used to finance debt payments and other operational costs or improvements as needed.

Additionally, the Academy reports the following nonmajor governmental fund type:

The *Nonmajor Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, if any.

**Changes in the Financial Reporting Entity**

The Food Service Fund was reported as a major fund in the prior year but shifted to a nonmajor fund presentation during the year ended June 30, 2025.

**1.D. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The appropriated budget is prepared by fund, function, and department. New Discoveries Montessori Academy's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the entity because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

**1.E. 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, deferred outflows, liabilities, deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLows OF RESOURCES, AND EQUITY**

**Deposits and Temporary Investments**

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable participation by each of the funds. Temporary cash investments are stated at cost which approximates fair value. Investments in external investment pools, if any, are valued at the pool's share price.

See Note 2.A. for additional information related to Deposits and Temporary Investments.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

**Accounts Receivable**

Accounts receivable include amounts billed for services provided before year-end. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary.

**Due from Other Governments**

Amounts due from the Minnesota Department of Education, from the Federal Government through the Department of Education, and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, may result in differing amounts actually being received. Any such differences will be absorbed into operations of the subsequent period.

**Inventory and Commodities**

Inventory is recorded using the consumption method of accounting and consists of purchased food, supplies, and surplus commodities received from the Federal Government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture. The Academy does not carry any inventory or commodities as of June 30, 2025.

**Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**Capital Assets**

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The Academy maintains a threshold level of \$5,000 or more for capitalizing capital assets. The system for accumulation of capital asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the Academy, no salvage value is taken into consideration for depreciation purposes. Capital assets consist of land, leasehold improvements, buildings and improvements, and equipment and furniture owned by the Academy which are being depreciated over useful lives varying from five to fifty years. Leased assets are being amortized over the term of the corresponding lease agreements.

Capital assets not being depreciated or amortized include land and construction in progress, if any.

The Academy does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property, if any.

**Accrued Payroll Liabilities**

Salaries pertaining to the school year ended June 30, 2025, which are payable in July and August 2025, are accrued as of June 30, 2025, and are shown as a liability on the accompanying financial statements. Liabilities for payroll taxes, amounts withheld from payroll checks and benefits accrued are also included.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

**Unearned Revenue**

Unearned revenue consists of local revenue received but not yet earned. Such amounts typically consist of grants and entitlements received before eligibility requirements are met and prepaid pupil lunch balances.

**Short Term Debt**

The Academy's short-term debt consists of lines of credit held with a local financial institution to assist in financing immediate operating expenditures.

**Compensated Absences**

The Academy recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (paid) during or upon separation from employment. Based on the criteria, PTO balances accumulated by Academy employees qualify for liability recognition as compensated absences. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

**Pensions**

The net pension liability represents the Academy's allocation of its pro-rata share of the Statewide Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) net pension liabilities.

**PERA**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**TRA**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association in 2015.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

**Interfund Transactions and Balances**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. If short-term in nature or incurred through goods and service type transactions, such interfund balances are reported as “due to/from other funds.” Long-term interfund loans are reported as “advances to/from other funds.” The Academy also reports lease revenue and expense resulting from an operating lease between the Academy and its building company blended component unit. These amounts are reported on the lines other local and county revenues and sites and buildings expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Interfund transactions and balances between governmental funds are eliminated in the Statement of Net Position and Statement of Activities. Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers.

See additional information related to Interfund Transactions and Balances at Note 2.F.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources (expense) until that time. The Academy reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds in which Academy employees participate.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The Academy reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds in which Academy employees participate.

See Note 3 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

**Fund Balance**

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Academy is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

**Nonspendable** – Includes amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact. The nonspendable fund balance at June 30, 2025 consists of prepaid expenditures.

**Restricted** – Amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

**Committed** – Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Directors (the Board), which is the Academy’s highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

**Assigned** – Amounts that are neither restricted nor committed but are constrained by the Academy’s intent to be used for specific purposes. The Board has delegated the authority to assign fund balances to the Academy’s administration and Chief Financial Officer. The Academy has no assigned fund balances at June 30, 2025.

**Unassigned** – The residual classification for the General Fund and also negative residual amounts in other funds, if any. The Academy has formally adopted a policy under which it strives to maintain an unassigned fund balance greater than or equal to zero in each of its governmental funds.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

When both restricted and unrestricted resources are available for use, it is the Academy's practice to first use restricted resources and then use unrestricted resources as they are needed. If resources from more than one fund balance classification could be spent, the Academy will spend the resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned, in accordance with the Academy's policy.

See Note 2.E. for additional disclosures.

**Net Position**

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. Net position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and amortization, and reduced by any outstanding debt attributable to acquiring the capital assets.

Restricted Net Position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Unrestricted Net Position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

It is the Academy's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**1.G. RECENTLY ISSUED ACCOUNTING STANDARDS**

During the current fiscal year, the Academy adopted Governmental Accounting Standard Board (GASB) Statement No. 101, *Compensated Absences*. This standard provides updated recognition and measurement guidance for recording compensated absences. For additional information regarding the impact of adopting this standard, see Note 4.D.

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**2.A. DEPOSITS AND INVESTMENTS**

**Deposits**

In accordance with applicable Minnesota Statutes, the Academy maintains deposits in financial institutions designated by the Academy Board. Minnesota Statutes require that all Academy deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100 percent if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The Academy complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A. DEPOSITS AND INVESTMENTS (Continued)**

- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the Academy.

At June 30, 2025, the Academy's deposits were exposed to custodial credit risk. The Academy's deposits exceeded federal depository insurance or by collateral held by the Academy's agent in the Academy's name by \$15,521.

## Investments

The Academy does not hold any investments as of June 30, 2025.

## **2.B. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2025 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, not Being Depreciated or Amortized					
Land	\$ 395,000	\$ -	\$ -	\$ -	\$ 395,000
Capital Assets, Being Depreciated or Amortized					
Leasehold Improvements	147,944	-	-	-	147,944
Buildings and Improvements	4,665,599	-	-	-	4,665,599
Equipment and Furniture	858,181	-	-	-	858,181
Leased Equipment	-	<u>19,432</u>	-	-	<u>19,432</u>
Total Capital Assets Being Depreciated or Amortized	5,671,724	19,432	-	-	5,691,156
Less Accumulated Depreciation for Leasehold Improvements	(92,218)	(11,140)	-	-	(103,358)
Buildings and Improvements	(513,505)	(97,572)	-	-	(611,077)
Equipment and Furniture	(639,932)	(47,750)	-	-	(687,682)
Less Accumulated Amortization for Leased Equipment	-	(1,295)	-	-	(1,295)
Total Accumulated Depreciation and Amortization	(1,245,655)	(157,757)	-	-	(1,403,412)
Total Capital Assets Being Depreciated or Amortized, Net	4,426,069	(138,325)	-	-	4,287,744
Governmental Activities					
Capital Assets, Net	\$ 4,821,069	\$ (138,325)	\$ -	\$ -	\$ 4,682,744

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.B. CAPITAL ASSETS (Continued)**

Depreciation and amortization expense was charged to functions of the Academy as follows:

Governmental Activities

District Support Services	\$ 556
Regular Instruction	26,051
Exceptional Instruction	436
Instructional Support Services	7,140
Pupil Support Services	8,442
Sites and Buildings	<u>115,132</u>

Total Depreciation and Amortization Expense - Governmental Activities \$ 157,757

**2.C. SHORT-TERM DEBT**

In December 2024, the Academy renewed a line of credit in the amount of \$400,000 to assist in financing immediate operating expenditures. Also in December 2024, the Academy renewed an additional line of credit in the amount of \$200,000. Both lines of credit have a variable interest rate calculated as the current index rate. At June 30, 2025, such rates are 8.50 percent. Both lines of credit mature on December 1, 2025. In addition, in April 2025, the Building Company renewed a line of credit in the amount of \$40,000, of which they have drawn \$25,259 as of June 30, 2025. The line of credit has an interest rate of 3.25 percent and matures in April 2026. Aggregate current year activity is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Lines of Credit - School	\$ -	\$ 600,000	\$ -	\$ 600,000
Line of Credit - Building Company	<u>24,878</u>	381	-	<u>25,259</u>
<b>Totals</b>	<b><u>\$ 24,878</u></b>	<b><u>\$ 600,381</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 625,259</u></b>

**2.D. NONCURRENT LIABILITIES**

**Loans Payable**

In April 2019, the Academy's affiliated building company issued long-term debt to finance the acquisition and construction of capital facility additions. The blended component unit's long-term debt consists entirely of Loans Payable, which are expected to be repaid entirely using the resources of the Academy. Repayment generally occurs through a rent payment from the Academy to the Academy's Building Company Fund component unit that, in turn, pledges those payments as sources of repayment for the long-term debt.

Loans payable are direct obligations and pledge the full faith and credit of the Academy's Building Company Fund blended component unit.

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D. NONCURRENT LIABILITIES (Continued)**

Loans payable currently outstanding are as follows:

Description	Loans Payable			
	Original Issue Amount	Interest Rate(s)	Final Maturity Date	Balance Outstanding
<i>Governmental Activities:</i>				
Business Loan - Old National Bank	\$ 4,800,000	7.81%	4/1/2044	\$ 4,200,286
Promissory Note - Propel Nonprofits	<u>300,000</u>	5.50%	5/2/2026	<u>207,495</u>
	<u><u>\$ 5,100,000</u></u>			<u><u>\$ 4,407,781</u></u>

The Academy is subject to certain financial covenants under the agreements for the business loan. Under these covenants, the Academy is required to maintain a debt service coverage ratio of at least 1.20, as calculated at the end of each fiscal year. The Academy must also achieve a minimum net increase in the Academy's General fund balance of at least \$50,000 each year until the Academy's General fund balance, as a percent of the Academy's annual total expenditures, is at least 15 percent of the Academy's annual operating budget for the next fiscal year. Upon achieving the 15 percent threshold, the net increase in the Academy's General fund balance on an annual basis must be greater than or equal to \$0. In addition, the Academy must not have a final year-end Average Daily Membership (ADM) of fewer than 200 pupil units for more than two consecutive years. See additional information related to the Academy's compliance with these covenants at Note 4.A.

**Lease Liability**

The Academy currently has a lease agreement in place for copiers and related equipment. Because of the nature of the terms of the lease arrangement, a long-term lease liability has been recorded in an amount equal to the present value to the future lease payments. Additionally, a corresponding right-of-use asset has been recorded and incorporated into the Academy's capital asset records. Terms of the lease are detailed below.

As of June 30, 2025, lease liabilities of the Academy's governmental activities consist of the following:

Description	Lease Liabilities			
	Original Issue Amount	Interest Rate(s)	Final Maturity Date	Balance Outstanding
<i>Governmental Activities:</i>				
Copier Lease	\$ 19,432	7.50%	2/28/2030	\$ 18,350

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D. NONCURRENT LIABILITIES (Continued)**

**Annual Debt Service Requirements**

At June 30, 2025, estimated annual debt service requirements to maturity for the loans payable are as follows:

Year Ended June 30,	Governmental-Type Activities			Total	
	Charter School Loans Payable				
	Principal	Interest			
2026	\$ 299,379	\$ 312,375	\$ 611,754		
2027	108,567	321,465	430,032		
2028	116,614	313,418	430,032		
2029	127,059	302,973	430,032		
2030	137,494	292,538	430,032		
2031-2035	875,621	1,274,539	2,150,160		
2036-2040	1,299,080	851,080	2,150,160		
2041-2044	1,443,967	240,087	1,684,054		
	<u>\$ 4,407,781</u>	<u>\$ 3,908,475</u>	<u>\$ 8,316,256</u>		

At June 30, 2025, estimated annual debt service requirements to maturity for lease liabilities are as follows:

Year Ended June 30,	Governmental-Type Activities			Amount	
	Lease Liabilities				
	Principal	Interest			
2026	\$ 3,412	\$ 1,232	\$ 4,644		
2027	3,677	967	4,644		
2028	3,962	681	4,643		
2029	4,270	374	4,644		
2030	3,029	66	3,095		
	<u>\$ 18,350</u>	<u>\$ 3,320</u>	<u>\$ 21,670</u>		

**Changes in Noncurrent Liabilities**

Noncurrent liability activity, excluding net pension liability, for the year ended June 30, 2025 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Charter School Loans Payable	\$ 4,518,602	\$ -	\$ (110,821)	\$ 4,407,781	\$ 299,379
Lease Liabilities	-	19,432	(1,082)	18,350	3,412
Compensated Absences*	22,239	5,464	-	27,703	-
Total Noncurrent Liabilities	<u>\$ 4,540,841</u>	<u>\$ 24,896</u>	<u>\$ (111,903)</u>	<u>\$ 4,453,834</u>	<u>\$ 302,791</u>

\*The opening balance for compensated absences has been revised to reflect the impact of the adoption of GASB 101. See additional information at Note 4.D.

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D. NONCURRENT LIABILITIES (Continued)**

Loans payable are typically funded through the Building Company blended component unit fund. Lease liabilities are typically funded through the General Fund. The aggregate change in compensated absences has been presented on a net basis.

Government-wide interest and other fiscal charges for the year ended June 30, 2025 total \$320,762 in the Statement of Activities. Fund financial statement interest and other fiscal charges for the year ended June 30, 2025 total \$350,652. Interest expenses included in direct program expenses total \$0; all bond interest and fees are included in Interest and Other Fiscal Charges.

**2.E. FUND BALANCE CLASSIFICATIONS**

At June 30, 2025, governmental fund equity includes the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>
<b>General Fund</b>				
Nonspendable - Prepays	\$ 48,132	\$ -	\$ -	\$ -
Restricted for Literacy Incentive Aid	- -	14,675	- -	- -
Restricted for Alternative Compensation	- -	53,064	- -	- -
Committed for Facility and Equipment				
Repairs and Maintenance	- -	- -	5,185	- -
Unassigned	- -	- -	- -	7,194
<b>Total General Fund Balance</b>	<b>\$ 48,132</b>	<b>\$ 67,739</b>	<b>\$ 5,185</b>	<b>\$ 7,194</b>
<b>Building Company Fund</b>				
Unassigned	\$ - -	\$ - -	\$ - -	\$ (106,544)
<b>Nonmajor Governmental Funds</b>				
Nonspendable - Prepays	\$ 637	\$ - -	\$ - -	\$ - -
Restricted for Food Service	- -	118,064	- -	- -
Restricted for Community Service	- -	15,750	- -	- -
<b>Total Nonmajor Governmental Fund Balance</b>	<b>\$ 637</b>	<b>\$ 133,814</b>	<b>\$ - -</b>	<b>\$ - -</b>

Restricted for Literary Incentive Aid - Represents resources available for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy.

Restricted for Alternative Compensation - This amount represents available resources to be used for quality compensation.

Restricted for Food Service - This amount represents restricted resources for food service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Community Service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

Committed for Equipment Repairs and Maintenance - This amount represents resources the Academy Board has formally committed for the repairs and maintenance of the Academy's facilities and equipment.

**Deficit Fund Balance**

The Building Company Fund deficit fund balance is expected to be financed via the collection of future rent receipts.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.F. INTERFUND TRANSACTIONS AND BALANCES**

Interfund balances at June 30, 2025 are as follows:

Due To Fund	Due From Fund	Amount	Reason
General	Building Company	\$ 137,383	Reimbursement for expenses paid by the School

The interfund balances above are to be repaid as cash flows become available in the Building Company Fund.

The Academy's funds also report lease revenue and expenditures resulting from an operating lease between the Academy and its Building Company Fund blended component unit totaling \$444,000. This amount has been eliminated in the government-wide financial statements.

**NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE**

**3.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Plan Description**

The Academy participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to *Minnesota Statutes* chapters 353, 353D, 353E, 353G, and 356. *Minnesota Statutes* chapter 356 defines the plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

**General Employees Retirement Plan (General Plan)**

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

**Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by State Statute and can only be modified by the State Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

**General Employees Plan Benefits**

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989 receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.20 percent of the highest average salary for each of the first 10 years of service and 1.70 percent for each additional year. Under the Level formula, General Plan members receive 1.70 percent of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**3.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.50 percent. The 2024 annual increase was 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

**Contributions**

*Minnesota Statutes* chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the Academy was required to contribute 7.50 percent for General Plan members. The Academy's contributions to the General Employees Fund for the year ended June 30, 2025 were \$88,864. The Academy's contributions were equal to the required contributions as set by State Statute.

**Pension Costs**

General Employees Fund Pension Costs

At June 30, 2025, the Academy reported a liability of \$444,029 for its proportionate share of the General Employees Fund's net pension liability. The Academy's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Academy totaled \$11,482.

Academy's proportionate share of the net pension liability:      \$444,029

State of Minnesota's proportionate share of the net pension liability associated with the Academy      11,842

Total      \$455,511

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportionate share of the net pension liability was based on the Academy's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The Academy's proportionate share was 0.0120 percent at the end of the measurement period and 0.0134 percent for the beginning of the period.

For the year ended June 30, 2025, the Academy recognized pension expense of \$3,280 for its proportionate share of the General Employees Plan's pension expense. In addition, the Academy recognized \$308 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The Academy recognized \$20,430 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**3.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

At June 30, 2025, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 43,283	\$ -
Changes in actuarial assumptions	2,365	182,253
Differences between projected and actual investment earnings	-	114,251
Changes in proportion	27,894	58,264
Contributions made to PERA subsequent to the measurement date	<u>88,864</u>	<u>-</u>
<b>Total Deferred Outflows/Inflows</b>	<b>\$ 162,406</b>	<b>\$ 354,768</b>

The \$88,864 reported as deferred outflows of resources related to pensions resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense</u>	
2026	\$ (133,716)	
2027	\$ (37,969)	
2028	\$ (75,510)	
2029	\$ (34,031)	

**Total Pension Expense**

The total pension expense for the plan recognized by the Academy for the year ended June 30, 2025, including amortization of deferred outflows and inflows of resources, was negative \$69,939.

**Long-Term Expected Return on Investment**

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	<u>25.0%</u>	5.90%
Total	<u>100%</u>	

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**3.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

**Actuarial Methods and Assumptions**

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.00 percent. The 7.00 percent assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.00 percent is within that range.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

**General Employees Fund**

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

**Discount Rate**

The discount rate used to measure the total pension liability in 2024 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE** (Continued)

**3.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION** (Continued)

**Pension Liability Sensitivity**

The following presents the Academy's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

<b>Sensitivity Analysis</b>		
<i>Net Pension Liability (Asset) at Different Discount Rates</i>		
1% Lower	6.00%	\$969,830
Current Discount Rate	7.00%	\$444,029
1% Higher	8.00%	\$11,509

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**3.B. TEACHERS RETIREMENT ASSOCIATION**

**Plan Description**

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with *Minnesota Statutes*, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials.

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the State are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage within one year of eligible employment or elect coverage through the Defined Contribution Retirement Plan (DCR) administered by the State of Minnesota. A teacher employed by Minnesota State and electing DCR plan is not a member of TRA except for purposes of social security coverage.

**Benefits Provided**

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any consecutive 60 months of formula service, age, and years of formula service credit at termination of service. TRA members belong to either the Basic or Coordinated Plan.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989 receive the greater of the Tier I or Tier II benefits as described.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**3.B. TEACHERS RETIREMENT ASSOCIATION (Continued)**

*Tier I Benefits*

Tier I	Step Rate Formula	Percentage
Basic	First ten years of service All years after	2.2 percent per year 2.7 percent per year
Coordinated	First ten years if service years are up to July 1, 2006 First ten years if service years are July 1, 2006 or after All other years of service if service years are up to July 1, 2006 All other years of service if service years are July 1, 2006 or after	1.2 percent per year 1.4 percent per year 1.7 percent per year 1.9 percent per year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3 percent per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Or

For years of service prior to July 1, 2006, a level formula of 1.70 percent per year for coordinated members and 2.70 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.90 percent per year for coordinated members and 2.70 percent per year for Basic members applies. An early retirement reduction is applied to members retiring prior to age 65. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) reduction rate applied.

*Tier II Benefits*

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66. After July 1, 2024, the age will change to not to exceed 65. An early retirement reduction is applied to members retiring before age 66, but will be age 65 after July 1, 2024. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) early retirement reduction rate applied.

Six different types of annuities are available to members upon retirement. The No Refund Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**3.B. TEACHERS RETIREMENT ASSOCIATION (Continued)**

**Contribution Rate**

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75 percent for the employee and 8.75 percent for the employer. Basic rates were 11.25 percent for the employee and 12.75 percent for the employer. The Academy's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$148,511. The Academy's contributions were equal to the required contributions for each year as set by State Statute.

**Actuarial Assumptions**

The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

Experience study	August 2, 2023 (demographic and economic assumptions)*
Actuarial cost method	Entry Age Normal

Actuarial Assumptions:

Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.00% for January 2019 through January 2023, then increasing by 0.10% each year up to 1.50% annually.

Mortality Assumptions:

Pre-retirement:	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy retirees:	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries:	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled retirees:	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

\*The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**3.B. TEACHERS RETIREMENT ASSOCIATION (Continued)**

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	<u>25.00%</u>	0.75%
Total	<u>100%</u>	

Changes in actuarial assumptions since the 2022 valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100 percent Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15 percent to reflect the continued lower than expected observations.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the State will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Net Pension Liability**

At June 30, 2025, the Academy reported a liability of \$1,423,367 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The Academy's proportion of the net pension liability was based on the Academy's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The Academy's proportionate share was 0.0224 percent at the end of the measurement period and 0.0279 percent for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the Academy as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the Academy were as follows:

Academy's proportionate share of net pension liability	\$1,426,367
State's proportionate share of the net pension liability associated with the Academy	\$93,094
Total	\$1,519,461

For the year ended June 30, 2025, the Academy recognized pension expense of \$23,017. It also recognized \$5,117 as an increase to pension expense for the support provided by direct aid.

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**3.B. TEACHERS RETIREMENT ASSOCIATION (Continued)**

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The Academy recognized \$39,461 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

On June 30, 2025, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 68,894	\$ 22,274
Changes in actuarial assumptions	158,268	169,741
Differences between projected and actual investment earnings	-	167,939
Changes in proportion	164,445	378,410
Contributions made to TRA subsequent to the measurement date	<u>148,511</u>	<u>-</u>
 Total Deferred Outflows/Inflows	 <u>\$ 540,118</u>	 <u>\$ 738,364</u>

The \$148,511 reported as deferred outflows of resources related to pensions resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2026	\$ (68,993)
2027	\$ 135,652
2028	\$ (160,174)
2029	\$ (155,096)
2030	\$ (98,146)

**Pension Liability Sensitivity**

The following presents the net pension liability of TRA calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate		
1 percent decrease (6.00%)	Current (7.00%)	1 percent increase (8.00%)
\$2,506,634	\$1,423,367	\$531,814

**Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at <https://minnesotatra.org>, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 4 OTHER INFORMATION**

**4.A. COMMITMENTS AND CONTINGENCIES**

**Building Lease**

The Academy currently rents a building of approximately 40,000 square feet under an operating lease agreement. Such agreement has an expiration date of June 30, 2054. The lease calls for monthly base rent of \$37,000, for a total of \$444,000 annually through June 30, 2054. However, annual rent paid under this lease will be the greater of this base rent or the amount necessary to maximize the lease aid received from the Minnesota Department of Education. The lease also requires the Academy to pay 100 percent of the real estate taxes incurred through the duration of the lease.

The Academy's ability to make payments under this lease agreement is dependent on its ability to generate revenues, which in turn is largely dependent on sufficient enrollment being served at the Academy and sufficient state aids per student being authorized and received from the state of Minnesota. The Building Company believes the Academy's enrollment and aid entitlement will be sufficient to meet the lease obligations as they become due. It is expected that the Academy will need to receive charter school lease aid in order to meet its lease payments.

At June 30, 2025 estimated future minimum rent payments are as follows:

Year Ended June 30,	Amount
2026	444,000
2027	444,000
2028	444,000
2029	444,000
2030	444,000
2031-2035	2,220,000
2036-2040	2,220,000
2041-2045	2,220,000
2046-2050	2,220,000
2051-2054	<u>1,776,000</u>
	<u>\$ 12,876,000</u>

During the year ended June 30, 2025, the Academy incurred lease expenditures of \$444,000 under this lease agreement.

**Federal and State Programs**

Amounts received or receivable from Federal and State agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time. However, management of the Academy expects such amounts, if any, to be immaterial.

**Debt Covenant Contingency**

The Academy was not in compliance with certain financial covenants for the business loan discussed at Note 2.D. As a result, it is possible that the majority bondholders for the debt may require the Academy to obtain an independent consultant to review and analyze the operations and administration of the Academy, as well as the facilities. The independent consultant would potentially make recommendations to the Academy as a result of this review. If the Academy were to fail to adhere to such recommendations and financial conditions are not corrected, there is a possibility that the bondholders could recall the debt.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 4 OTHER INFORMATION (Continued)**

**4.B. RISK MANAGEMENT**

**Claims and Judgments**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the Academy purchases commercial insurance. The Academy retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported. The Academy's management is not aware of any incurred but not reported claims.

**4.C. OTHER EMPLOYEE BENEFITS**

**Deferred Contribution Plan**

The Academy provides eligible employees future retirement benefits through the Academy's 403(b) Plan ("the Plan"). The Academy has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The Academy's School Board acts as the plan administrator, but the Academy is not involved with the investment decisions for plan assets. Contributions are invested in tax deferred annuities selected and owned by Plan participants. Employees of the Academy are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. The Academy does not currently make employer contributions to the plan.

**4.D. ADJUSTMENTS AND RESTATEMENTS**

During the current year, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This statement increases the usefulness of governmental financial statements by updating the recognition and measurement guidance for compensated absences. The effects of this change in accounting principle are summarized in the table below in the "Change in Accounting Principle" column.

	Net Position 6/30/2024	Change in Accounting Principle	Net Position 6/30/2024
	As Previously Reported		As Adjusted or Restated
Government-Wide			
Governmental Activities	\$ (1,650,594)	\$ (22,239)	\$ (1,672,833)

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**NEW DISCOVERIES MONTESSORI ACADEMY  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final	Budgetary Basis	
<b>REVENUES</b>				
Other Local and County Revenues	\$ 45,579	\$ 63,678	\$ 46,424	\$ (17,254)
State Sources	5,686,658	5,724,730	5,496,273	(228,457)
Federal Sources	178,947	212,817	243,454	30,637
Sales and Other Conversions of Assets	1,585	1,480	1,130	(350)
<b>TOTAL REVENUES</b>	<b>5,912,769</b>	<b>6,002,705</b>	<b>5,787,281</b>	<b>(215,424)</b>
<b>EXPENDITURES</b>				
Current:				
Administration	229,325	169,885	169,448	(437)
District Support Services	347,686	413,387	377,315	(36,072)
Regular Instruction	1,199,533	1,103,236	1,085,506	(17,730)
Exceptional Instruction	1,973,893	2,150,309	2,057,169	(93,140)
Instructional Support Services	56,585	69,810	96,100	26,290
Pupil Support Services	1,262,806	1,528,762	1,533,729	4,967
Sites and Buildings	731,953	713,464	672,904	(40,560)
Fiscal and Other Fixed Cost Programs	22,128	22,128	43,837	21,709
Capital Outlay	10,426	9,650	22,661	13,011
Debt Service:				
Principal	5,593	5,222	1,082	(4,140)
Interest and Other Charges	20,000	15,000	10,413	(4,587)
<b>TOTAL EXPENDITURES</b>	<b>5,859,928</b>	<b>6,200,853</b>	<b>6,070,164</b>	<b>(130,689)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	52,841	(198,148)	(282,883)	(84,735)
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease Proceeds	-	-	19,432	19,432
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 52,841</b>	<b>\$ (198,148)</b>	<b>(263,451)</b>	<b>\$ (65,303)</b>
<b>FUND BALANCE - BEGINNING</b>			<b>391,701</b>	
<b>FUND BALANCE - ENDING</b>			<b>\$ 128,250</b>	

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**SCHEDULE OF ACADEMY'S PROPORTIONATE**  
**SHARE OF NET PENSION LIABILITY**  
**LAST TEN YEARS**

For the Measurement Year Ended June 30,	Academy's Proportion of the Net Pension Liability (Asset)	Academy's Proportionate Share of the Net Pension Liability (Asset) (a)		State's Proportionate Share of the Net Pension Liability Associated with the Academy (b)		Academy's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the Academy (a+b)		Academy's Covered Payroll (c)	Academy's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Academy's Proportionate Share of the Net Pension Liability Position as a Percentage of the Total Pension Liability
		Academy's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the Academy (b)	Academy's Covered Payroll (c)	Academy's Proportionate Share of the Net Pension Liability Position as a Percentage of the Total Pension Liability					
<b><i>Public Employees Retirement Association</i></b>										
2024	0.0120%	\$ 444,029	\$ 11,482	\$ 455,511	\$ 1,031,360			44.2%		89.1%
2023	0.0134%	\$ 749,313	\$ 20,702	\$ 770,015	\$ 1,054,869			73.0%		83.1%
2022	0.0131%	\$ 1,037,524	\$ 30,453	\$ 1,067,977	\$ 950,213			112.4%		76.7%
2021	0.0116%	\$ 495,372	\$ 15,186	\$ 510,558	\$ 863,653			59.1%		87.0%
2020	0.0134%	\$ 803,391	\$ 24,750	\$ 828,141	\$ 958,747			86.4%		79.1%
2019	0.0123%	\$ 680,039	\$ 20,999	\$ 701,038	\$ 875,133			80.1%		80.2%
2018	0.0120%	\$ 665,711	\$ 21,837	\$ 687,548	\$ 796,959			86.3%		79.5%
2017	0.0097%	\$ 619,243	\$ 7,814	\$ 627,057	\$ 627,347			100.0%		75.9%
2016	0.0095%	\$ 771,353	\$ 10,154	\$ 781,507	\$ 583,920			133.8%		68.9%
2015	0.0134%	\$ 694,458	\$ -	\$ 694,458	\$ 767,874			90.4%		78.2%
<b><i>Teachers Retirement Association</i></b>										
2024	0.0224%	\$ 1,423,367	\$ 93,094	\$ 1,516,461	\$ 1,577,326			96.1%		82.1%
2023	0.0279%	\$ 2,303,487	\$ 161,603	\$ 2,465,090	\$ 1,693,076			145.6%		76.4%
2022	0.0273%	\$ 2,186,040	\$ 161,979	\$ 2,348,019	\$ 1,644,880			142.8%		76.2%
2021	0.0247%	\$ 1,080,946	\$ 91,223	\$ 1,172,169	\$ 1,564,305			74.9%		86.6%
2020	0.0231%	\$ 1,706,659	\$ 142,818	\$ 1,849,477	\$ 1,376,692			134.3%		75.5%
2019	0.0197%	\$ 1,255,682	\$ 110,899	\$ 1,366,581	\$ 1,191,375			114.7%		78.2%
2018	0.0172%	\$ 1,081,986	\$ 101,413	\$ 1,183,399	\$ 988,057			119.8%		78.1%
2017	0.0162%	\$ 3,233,814	\$ 313,201	\$ 3,547,015	\$ 907,333			390.9%		51.6%
2016	0.0143%	\$ 3,410,891	\$ 341,595	\$ 3,752,486	\$ 750,613			499.9%		44.9%
2015	0.0139%	\$ 859,852	\$ 105,436	\$ 965,288	\$ 704,841			137.0%		76.8%

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**SCHEDULE OF ACADEMY PENSION CONTRIBUTIONS**  
**LAST TEN YEARS**

For the Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution			Academy's Covered Payroll	Contributions as a Percentage of Covered Payroll
		Statutorily Required Contribution	Contribution Deficiency (Excess)	Academy's Covered Payroll		
<b><i>Public Employees Retirement Association</i></b>						
2025	\$ 88,864	\$ 88,864	\$ -	\$ 1,184,853	7.50%	
2024	\$ 77,352	\$ 77,352	\$ -	\$ 1,031,360	7.50%	
2023	\$ 79,115	\$ 79,115	\$ -	\$ 1,054,869	7.50%	
2022	\$ 71,266	\$ 71,266	\$ -	\$ 950,213	7.50%	
2021	\$ 64,774	\$ 64,774	\$ -	\$ 863,653	7.50%	
2020	\$ 71,906	\$ 71,906	\$ -	\$ 958,747	7.50%	
2019	\$ 65,635	\$ 65,635	\$ -	\$ 875,133	7.50%	
2018	\$ 59,772	\$ 59,772	\$ -	\$ 796,959	7.50%	
2017	\$ 47,051	\$ 47,051	\$ -	\$ 627,347	7.50%	
2016	\$ 43,794	\$ 43,794	\$ -	\$ 583,920	7.50%	
<b><i>Teachers Retirement Association</i></b>						
2025	\$ 148,511	\$ 148,511	\$ -	\$ 1,697,269	8.75%	
2024	\$ 138,016	\$ 138,016	\$ -	\$ 1,577,326	8.75%	
2023	\$ 144,758	\$ 144,758	\$ -	\$ 1,693,076	8.55%	
2022	\$ 137,183	\$ 137,183	\$ -	\$ 1,644,880	8.34%	
2021	\$ 127,178	\$ 127,178	\$ -	\$ 1,564,305	8.13%	
2020	\$ 109,034	\$ 109,034	\$ -	\$ 1,376,692	7.92%	
2019	\$ 91,855	\$ 91,855	\$ -	\$ 1,191,375	7.71%	
2018	\$ 74,104	\$ 74,104	\$ -	\$ 988,057	7.50%	
2017	\$ 68,050	\$ 68,050	\$ -	\$ 907,333	7.50%	
2016	\$ 56,296	\$ 56,296	\$ -	\$ 750,613	7.50%	

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2025**

**NOTE 1 BUDGETARY DISCLOSURES**

Actual expenditures in the General Fund did not exceed budgeted amounts for the year ended June 30, 2025.

A formal budget was not adopted for the Building Company major special revenue fund.

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND**

**2024 Changes**

Changes in Actuarial Assumptions

The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023):

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

**2023 Changes**

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct State aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**2022 Changes**

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2025**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2019 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed annual increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed annual increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**NEW DISCOVERIES MONTESSORI ACADEMY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2025**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

**2015 Changes**

Changes in Actuarial Assumptions

- The assumed annual increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

**NOTE 3 TEACHERS RETIREMENT ASSOCIATION**

**2024 Changes**

Changes in Actuarial Assumptions

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experiences.
- Probability that new female retirees elect either the Straight Life Annuity or 100 percent Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15 percent to reflect the continued lower than expected observations.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**2023 Changes**

Changes in Actuarial Assumptions

The 2023 Tax Finance and Policy Bill, effective July 1, 2025:

- The employer contribution rate will increase from 8.75 percent to 9.5 percent on July 1, 2025.
- The employee contribution rate will increase from 7.75 percent to 8 percent on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75 percent employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:

- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- TRA's amortization date will remain the same at 2048.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**2022 Changes**

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)**

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50 percent to 7.00 percent.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**2019 Changes**

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**2018 Changes**

Changes in Actuarial Assumptions

- The COLA was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The State provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)**

**2017 Changes**

Changes in Actuarial Assumptions

- The Cost of Living Adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.40 percent to 0.00 percent, the vested inactive load increased from 4.00 percent to 7.00 percent and the non-vested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**2016 Changes**

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2.00 percent for all future years.
- The price inflation assumption was lowered from 3.00 percent to 2.75 percent.
- The general wage growth and payroll growth assumptions were lowered from 3.75 percent to 3.50 percent.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**2015 Changes**

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

Changes in Plan Provisions

- The DTRFA was merged into TRA on June 30, 2015.

## **SUPPLEMENTARY INFORMATION**

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2025**

	Food Service Fund	Community Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and Temporary Investments	\$ 135,690	\$ 15,750	\$ 151,440
Accounts Receivable	200	-	200
Prepays	<u>637</u>	<u>-</u>	<u>637</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 136,527</u></b>	<b><u>\$ 15,750</u></b>	<b><u>\$ 152,277</u></b>
<b>LIABILITIES</b>			
Salaries Payable	\$ 5,743	\$ -	\$ 5,743
Payroll Deductions and			
Employer Contributions	11,061	-	11,061
Unearned Revenue	<u>1,022</u>	<u>-</u>	<u>1,022</u>
Total Liabilities	<u>17,826</u>	<u>-</u>	<u>17,826</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepays	637	-	637
Restricted for:			
Food Service	118,064	-	118,064
Community Service	<u>-</u>	<u>15,750</u>	<u>15,750</u>
Total Fund Balances	<u>118,701</u>	<u>15,750</u>	<u>134,451</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 136,527</u></b>	<b><u>\$ 15,750</u></b>	<b><u>\$ 152,277</u></b>

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	Food Service Fund	Community Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Other Local and County Revenues	\$ -	\$ 4,460	\$ 4,460
State Sources	28,787	15,000	43,787
Federal Sources	195,239	-	195,239
Sales and Other Conversions of Assets	<u>10,880</u>	<u>-</u>	<u>10,880</u>
<b>TOTAL REVENUES</b>	<b>234,906</b>	<b>19,460</b>	<b>254,366</b>
<b>EXPENDITURES</b>			
Current:			
Community Education and Services	-	19,460	19,460
Pupil Support Services	<u>217,777</u>	<u>-</u>	<u>217,777</u>
<b>TOTAL EXPENDITURES</b>	<b>217,777</b>	<b>19,460</b>	<b>237,237</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>17,129</b>	<b>-</b>	<b>17,129</b>
<b>FUND BALANCES - BEGINNING</b>	<b>-</b>	<b>15,750</b>	<b>15,750</b>
(As Previously Reported)			
<b>ADJUSTMENTS AND RESTATEMENTS</b>			
Adjustment - Change in Major Funds	<u>101,572</u>	<u>-</u>	<u>101,572</u>
<b>FUND BALANCES - BEGINNING</b>	<b>101,572</b>	<b>15,750</b>	<b>117,322</b>
(As Adjusted)			
<b>FUND BALANCES - ENDING</b>	<b>\$ 118,701</b>	<b>\$ 15,750</b>	<b>\$ 134,451</b>

**NEW DISCOVERIES MONTESSORI ACADEMY**  
**UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS**  
**COMPLIANCE TABLE**  
**FOR THE YEAR ENDED JUNE 30, 2025**

<b><u>01 GENERAL FUND</u></b>	<b>Audited</b>	<b>UFARS</b>	<b>Difference</b>	<b><u>04 COMMUNITY SERVICE</u></b>	<b>Audited</b>	<b>UFARS</b>	<b>Difference</b>
Total Revenue	5,787,281	5,787,281	-	447 Adult Basic Education	-	-	-
Total Expenditures	6,070,164	6,070,167	(3)	452 OPEB Liab. Not in Trust	-	-	-
460 Non Spendable Fund Balance	48,132	48,132	-	456 Literacy Aid	-	-	-
Restricted/Reserve:				457 Teacher Comp Read Act	-	-	-
401 Student Activities	-	-	-	Restricted:			
402 Scholarships	-	-	-	464 Restricted Fund Balance	15,750	15,750	-
403 Staff Development	-	-	-	Unassigned:			
407 Capital Projects Levy	-	-	-	463 Unassigned Fund Balance	-	-	-
408 Cooperative Revenue	-	-	-				
412 Literacy Incentive Aid	14,675	14,675	-	<b><u>06 BUILDING CONSTRUCTION</u></b>			
414 Operating Debt	-	-	-	Total Revenue	-	-	-
416 Levy Reduction	-	-	-	Total Expenditures	-	-	-
417 Taconite Building Maint	-	-	-	460 Non Spendable Fund Balance	-	-	-
420 American Indian Ed Aid	-	-	-	Restricted/Reserve:			
424 Operating Capital	-	-	-	407 Capital Projects Levy	-	-	-
426 \$25 Taconite	-	-	-	413 Projects Funded by COP	-	-	-
427 Disabled Accessibility	-	-	-	467 LTFM	-	-	-
428 Learning & Development	-	-	-	Restricted:			
434 Area Learning Center	-	-	-	464 Restricted Fund Balance	-	-	-
435 Contracted Alt. Programs	-	-	-	Unassigned:			
436 St. Approved Alt. Program	-	-	-	463 Unassigned Fund Balance	-	-	-
437 Q Comp	53,064	53,064	-				
438 Gifted & Talented	-	-	-	<b><u>07 DEBT SERVICE</u></b>			
439 English Learner	-	-	-	Total Revenue	-	-	-
440 Teacher Development & Eval	-	-	-	Total Expenditures	-	-	-
441 Basic Skills Programs	-	-	-	460 Non Spendable Fund Balance	-	-	-
443 School Library Aid	-	-	-	Restricted/Reserve:			
448 Achievement & Integration	-	-	-	425 Bond Refundings	-	-	-
449 Safe Schools Levy	-	-	-	433 Max Effort Loan	-	-	-
451 QZAB Payments	-	-	-	451 QZAB Payments	-	-	-
452 OPEB Liab Not in Trust	-	-	-	467 LTFM	-	-	-
453 Unfnded Sev & Retiremt Levy	-	-	-	Restricted:			
456 Literacy Aid	-	-	-	464 Restricted Fund Balance	-	-	-
457 Teacher Comp Read Act	-	-	-	Unassigned:			
459 Basic Skills Ext Time	-	-	-	463 Unassigned Fund Balance	-	-	-
467 LTFM	-	-	-				
471 Student Support Personnel	-	-	-	<b><u>08 TRUST</u></b>			
472 Medical Assistance	-	-	-	Total Revenue	-	-	-
Restricted:				Total Expenditures	-	-	-
464 Restricted Fund Balance	-	-	-	401 Student Activities	-	-	-
475 Title VII - Impact Aid	-	-	-	402 Scholarships	-	-	-
476 PILT	-	-	-	422 Net Assets	-	-	-
Committed:							
418 Committed for Separation	-	-	-	<b><u>18 CUSTODIAL FUND</u></b>			
461 Committed Fund Balance	5,185	5,185	-	Total Revenue	-	-	-
Assigned:				Total Expenditures	-	-	-
462 Assigned Fund Balance	-	-	-	401 Student Activities	-	-	-
Unassigned:				402 Scholarships	-	-	-
422 Unassigned Fund Balance	7,194	7,191	3	448 Achievement & Integration	-	-	-
				464 Restricted Fund Balance	-	-	-
<b><u>02 FOOD SERVICE</u></b>							
Total Revenue	234,906	234,905	1	<b><u>20 INTERNAL SERVICE</u></b>			
Total Expenditures	217,777	217,775	2	Total Revenue	-	-	-
460 Non Spendable Fund Balance	637	637	-	Total Expenditures	-	-	-
Restricted/Reserve:				422 Net Assets	-	-	-
452 OPEB Liab. Not in Trust	-	-	-				
Restricted:				<b><u>25 OPEB REVOCABLE TRUST FUND</u></b>			
464 Restricted Fund Balance	118,064	118,065	(1)	Total Revenue	-	-	-
Unassigned:				Total Expenditures	-	-	-
463 Unassigned Fund Balance	-	-	-	422 Net Assets	-	-	-
<b><u>04 COMMUNITY SERVICE</u></b>							
Total Revenue	19,460	19,460	-	<b><u>45 OPEB IRREVOCABLE TRUST FUND</u></b>			
Total Expenditures	19,460	19,460	-	Total Revenue	-	-	-
460 Non Spendable Fund Balance	-	-	-	Total Expenditures	-	-	-
Restricted/Reserve:				422 Net Assets	-	-	-
426 \$25 Taconite	-	-	-				
431 Community Education	-	-		<b><u>47 OPEB DEBT SERVICE FUND</u></b>			
432 E.C.F.E.	-	-		Total Revenue	-	-	-
437 Q Comp	-	-		Total Expenditures	-	-	-
440 Teacher Development & Eval	-	-		460 Non Spendable Fund Balance	-	-	-
444 School Readiness	-	-		Restricted:			
				425 Bond Refundings	-	-	-
				464 Restricted Fund Balance	-	-	-

**OTHER REQUIRED  
REPORTS AND SCHEDULES**

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

Members of the Board of Directors  
New Discoveries Montessori Academy  
Hutchinson, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Discoveries Montessori Academy (the Academy) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise New Discoveries Montessori Academy's basic financial statements, and have issued our report thereon dated December 1, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

## **Minnesota Legal Compliance**

In connection with our audit, we noted that New Discoveries Montessori Academy failed to comply with provisions of the charter schools section of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the *Schedule of Findings and Responses* as item 2025-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that the Academy failed to comply with the provisions of the uniform financial accounting and reporting standards (UFARS) section of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Academy's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

## **Academy's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on New Discoveries Montessori Academy's response to the legal compliance findings identified in our audit and described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. The Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Schlenner Wenner & Co." The signature is fluid and cursive, with "Schlenner" and "Wenner" being the most prominent parts.

**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

December 1, 2025

**NEW DISCOVERIES MONTESSORI ACADEMY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2025**

**LEGAL COMPLIANCE FINDINGS**

**Finding 2025-001      Deposits in Excess of Insured Limits**

*Condition:* The Academy held deposits in excess of FDIC limits with a financial institution, without sufficient collateral pledged.

*Criteria:* In accordance with MN Statute § 118A.03, subd. 1 & 3, the Academy is required to obtain a bond or collateral which, when computed at its market value, shall be at least ten percent more than the amount of deposits being held in excess of deposit insurance.

*Cause:* The balance of the Academy's deposits increased to the extent that the balance exceeded FDIC limits.

*Effect:* The failure to timely obtain sufficient pledged collateral resulted in noncompliance with the requirements set forth in Minnesota Statutes.

*Recommendation:* We recommend the Academy implement a process of reviewing bank account balances on a regular basis and making corrective actions as necessary.

*Views of Responsible  
Officials And Planned  
Corrective Actions:*

Management agrees with the recommendation. See corresponding Corrective Action Plan.

**NEW DISCOVERIES MONTESSORI ACADEMY  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED JUNE 30, 2025**

**LEGAL COMPLIANCE FINDINGS**

**Finding 2025-001      Deposits in Excess of Insured Limits**

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The Academy will contact the financial institution to remedy the issue and regain compliance with MN Statutes.

3. Official Responsible

Kirsten Kinzler, Executive Director, is the official responsible for ensuring corrective action.

4. Planned Completion Date

June 30, 2026

5. Plan to Monitor Completion

The Board of Directors will be monitoring this Corrective Action Plan.