

ISTHMUS MONTESSORI ACADEMY, INC.

**Financial Statements
& Supplementary Information**

**For the Years Ended
July 31, 2023 and 2022**

ISTHMUS MONTESSORI ACADEMY, INC.

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July 31, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors
Isthmus Montessori Academy, Inc.
Madison, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Isthmus Montessori Academy, Inc. (Academy), which comprise the statements of financial position as of July 31, 2023 and 2022 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Isthmus Montessori Academy, Inc. as of July 31, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Isthmus Montessori Academy, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 Isthmus Montessori Academy, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Isthmus Montessori Academy, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, schedule of state financial assistance and schedule of revenue and expenses, as required by Wisconsin Department of Public Instruction, are presented for purposes of additional analysis and are not a required part of the 2023 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2023 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2023 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2023 financial statements or to the 2023 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2023 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2023, on our consideration of Isthmus Montessori Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other 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 Isthmus Montessori Academy, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Isthmus Montessori Academy, Inc.'s internal control over financial reporting and compliance.

KerberRose SC

KerberRose SC
Certified Public Accountants
Appleton, Wisconsin
December 4, 2023

Financial Statements

ISTHMUS MONTESSORI ACADEMY, INC.

Statements of Financial Position

As of July 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 219,322	\$ 244,609
Accounts Receivable, Net	47,909	17,647
Prepaid Expenses	14,159	11,947
Security Deposits	-	19,289
Property and Equipment, Net	4,108,802	1,062,662
TOTAL ASSETS	<u>\$ 4,390,192</u>	<u>\$ 1,356,154</u>
LIABILITIES		
Accounts Payable	\$ 139,486	\$ 133,277
Accrued Payroll Liabilities	1,107	707
Other Accrued Expenses	1,691	1,691
Deferred Revenue	10,128	41,039
Long-Term Debt	3,251,763	555,870
TOTAL LIABILITIES	<u>3,404,175</u>	<u>732,584</u>
NET ASSETS		
Without Donor Restrictions	<u>986,017</u>	<u>623,570</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,390,192</u>	<u>\$ 1,356,154</u>

See Accompanying Notes

ISTHMUS MONTESSORI ACADEMY, INC.

Statement of Activities

For the Year Ended July 31, 2023

	Without Donor Restrictions
REVENUES AND SUPPORT	
Contributions	\$ 55,100
Tuition and Fees, Net	609,571
Grants	2,727,413
Miscellaneous	7,954
Food Service	26,985
Total Revenues and Support	3,427,023
EXPENSES	
Private School	857,105
Public School	1,605,447
Management and General	555,160
Fundraising	46,864
Total Expenses	3,064,576
CHANGE IN NET ASSETS	362,447
NET ASSETS - BEGINNING	623,570
NET ASSETS - ENDING	\$ 986,017

See Accompanying Notes

ISTHMUS MONTESSORI ACADEMY, INC.

Statement of Activities

For the Year Ended July 31, 2022

	Without Donor Restrictions
REVENUES AND SUPPORT	
Contributions	\$ 35,002
Tuition and Fees, Net	561,845
Grants	2,384,352
Miscellaneous	7,785
Food Service	360
Total Revenues and Support	<u>2,989,344</u>
EXPENSES	
Private School	822,397
Public School	1,628,913
Management and General	742,427
Fundraising	47,304
Total Expenses	<u>3,241,041</u>
CHANGE IN NET ASSETS	(251,697)
NET ASSETS - BEGINNING	<u>875,267</u>
NET ASSETS - ENDING	<u>\$ 623,570</u>

See Accompanying Notes

ISTHMUS MONTESSORI ACADEMY, INC.

Statement of Functional Expenses

For the Year Ended July 31, 2023

	Program Services			Management and General	Fundraising	Total
	Private School	Public School	Total Program Services			
Salaries and Wages	\$ 514,699	\$ 806,618	\$ 1,321,317	\$ 184,370	\$ 30,728	\$ 1,536,415
Payroll Taxes	41,147	64,484	105,631	14,739	2,457	122,827
Employee Benefits	54,581	85,537	140,118	19,551	3,259	162,928
Personnel	8,061	12,634	20,695	2,888	481	24,064
Occupancy	18,867	35,038	53,905	7,522	1,254	62,681
Supplies and Materials	1,712	66,418	68,130	342	-	68,472
Administrative	1,226	23,141	24,367	6,283	-	30,650
Legal and Professional	-	-	-	199,288	-	199,288
Depreciation	47,260	82,705	129,965	17,723	-	147,688
Interest	38,576	55,513	94,089	-	-	94,089
Training and Development	25,489	89,067	114,556	-	-	114,556
Bad Debt	-	-	-	1,150	-	1,150
Direct Student Costs	285	12,268	12,553	-	1,712	14,265
Information Technology	4,767	7,469	12,236	1,707	285	14,228
Insurance	5,442	10,159	15,601	2,177	363	18,141
Kitchen and Food Service	10,759	30,226	40,985	-	-	40,985
Bank Fees	-	-	-	10,299	-	10,299
Advertising	3,033	3,033	6,066	-	-	6,066
Dues and Subscriptions	-	-	-	31,699	-	31,699
Office Expenses	-	-	-	14,069	-	14,069
Postage and Printing	670	670	1,340	183	-	1,523
Repairs and Maintenance	7,123	13,229	20,352	2,840	473	23,665
Rent	73,408	136,327	209,735	29,265	4,878	243,878
Travel and Transportation	-	65,502	65,502	9,065	974	75,541
Miscellaneous Expense	-	5,409	5,409	-	-	5,409
Total Expenses	<u>\$ 857,105</u>	<u>\$ 1,605,447</u>	<u>\$ 2,462,552</u>	<u>\$ 555,160</u>	<u>\$ 46,864</u>	<u>\$ 3,064,576</u>

ISTHMUS MONTESSORI ACADEMY, INC.

Statement of Functional Expenses

For the Year Ended July 31, 2022

	Program Services			Management and General	Fundraising	Total
	Private School	Public School	Total Program Services			
Salaries and Wages	\$ 492,522	\$ 776,408	\$ 1,268,930	\$ 176,426	\$ 29,404	\$ 1,474,760
Payroll Taxes	39,491	62,237	101,728	14,146	2,358	118,232
Employee Benefits	66,604	104,379	170,983	23,858	3,976	198,817
Personnel	6,511	10,904	17,415	2,332	389	20,136
Occupancy	17,203	31,949	49,152	6,858	1,143	57,153
Supplies and Materials	1,038	40,256	41,294	208	-	41,502
Administrative	2,057	38,819	40,876	10,540	-	51,416
Legal and Professional	-	15,712	15,712	403,692	-	419,404
Depreciation	40,632	71,107	111,739	15,237	-	126,976
Interest	13,400	19,282	32,682	-	-	32,682
Training and Development	1,453	43,535	44,988	-	-	44,988
Bad Debt (Recovery)	-	-	-	7,745	-	7,745
Direct Student Costs	135	26,652	26,787	-	807	27,594
Information Technology	3,453	10,438	13,891	1,237	206	15,334
Insurance	7,922	14,788	22,710	3,169	528	26,407
Kitchen and Food Service	14,294	40,160	54,454	-	-	54,454
Bank Fees	-	-	-	270	-	270
Advertising	192	2,556	2,748	-	-	2,748
Dues and Subscriptions	-	9,500	9,500	9,307	-	18,807
Office Expenses	-	33,509	33,509	13,697	-	47,206
Postage and Printing	88	88	176	24	-	200
Repairs and Maintenance	3,249	6,574	9,823	1,295	216	11,334
Rent	112,153	208,284	320,437	44,712	7,452	372,601
Travel and Transportation	-	60,851	60,851	7,674	825	69,350
Miscellaneous Expense	-	925	925	-	-	925
Total Expenses	\$ 822,397	\$ 1,628,913	\$ 2,451,310	\$ 742,427	\$ 47,304	\$ 3,241,041

See Accompanying Notes

ISTHMUS MONTESSORI ACADEMY, INC.

Statements of Cash Flows

For the Years Ended July 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 362,447	\$ (251,697)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	147,688	126,976
Changes in Certain Assets and Liabilities:		
Accounts Receivable	(30,262)	(3,079)
Prepaid Expenses	(2,212)	2,003
Accounts Payable	(63,634)	60,011
Accrued Payroll Liabilities	400	(20,423)
Deferred Revenue	(30,911)	(18,903)
Other Accrued Expenses	-	(1,582)
Net Cash Flows From Operating Activities	402,805	(106,694)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(254,985)	(322,208)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(577,369)	(113,559)
Proceeds from Long-Term Debt	404,262	-
Net Cash Flows From Financing Activities	(173,107)	(113,559)
NET CHANGE IN CASH	(25,287)	(542,461)
CASH - BEGINNING	244,609	787,070
CASH - ENDING	\$ 219,322	\$ 244,609
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Purchase of Property and Equipment Included in Accounts Payable	\$ 69,843	\$ 43,850
Property and Equipment Purchased with Long-Term Debt	\$ 2,869,000	\$ -
Long-Term Debt Refinanced	\$ 471,512	\$ -

See Accompanying Notes

ISTHMUS MONTESSORI ACADEMY, INC.

Notes to Financial Statements

July 31, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Isthmus Montessori Academy, Inc. (Academy) provides an aid to life through a holistic AMI Montessori Education: helping children achieve their greatest success, develop independence, and live with genuine kindness to others and the world. The Academy serves children in the Madison, Wisconsin area.

Basis of Accounting

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

Cash

Cash is defined as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. The Academy maintains its bank accounts at one financial institution. Aggregate accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At July 31, 2023, there are no uninsured amounts.

Accounts Receivable

Accounts receivable, including tuition and other receivables, are stated net of the allowance for doubtful accounts. The Academy does not charge finance charges on past due receivables. The allowance for doubtful accounts is maintained at a level that is management's best estimate of probable uncollectible tuition and bad debts incurred as of the statement of financial position date. Management's determination of the allowance is based on an evaluation of the receivables, past collection experience, current economic conditions, composition of the receivables, and other relevant factors. The allowance is increased by provisions for uncollectible tuition and other receivables charged against income. The allowance for doubtful accounts at July 31, 2023 and 2022 was \$11,527 and \$13,193, respectively.

Property and Equipment

Property and equipment is stated at cost if purchased. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Leasehold improvements were being depreciated over the life of the lease. Property and equipment is depreciated using the straight-line method over the following estimated useful lives in years:

	<u>Depreciable Lives (Years)</u>
Buildings	40
Equipment	3 - 5
Furniture and Fixtures	7 - 10
Leasehold Improvements	10

Donated property and equipment are recorded as increases in net assets without donor restrictions at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as donor restricted contributions. The Academy reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor and reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Deferred Revenue

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

ISTHMUS MONTESSORI ACADEMY, INC.

Notes to Financial Statements
July 31, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Assets

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

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

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

Tax-Exempt Status

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

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

Use of Estimates

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

Revenue Recognition

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

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

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

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

ISTHMUS MONTESSORI ACADEMY, INC.

Notes to Financial Statements

July 31, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Financial Aid and Tuition Reductions

Net tuition and fees reflect the Academy's actual tuition rates for all students less financial aid and other reductions. Financial aid is given on the basis of financial need. In the prior year, a tuition credit was granted for the months that school was not in session due to COVID. Financial aid and other tuition discount amounts are netted with tuition and fees in the statement of activities. For the years ended July 31, 2023 and 2022, financial aid and other tuition discounts totaled \$69,883 and \$31,757, respectively.

Expense Allocation

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

The following program services and supporting activities are included in the accompanying financial statements:

Private School - Preschool and daycare services for children aged twelve months to three years old.

Public School - Charter school instruction for children kindergarten through tenth grade.

Management and General - Management and general activities involve the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Academy's program strategy; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of the Academy; and manage the financial and budgetary responsibilities of the Academy.

Fundraising - Fundraising activities include soliciting contributions from individuals, foundations, and others.

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

Subsequent Events

The Academy has evaluated subsequent events through December 4, 2023, the date which the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of July 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 219,322	\$ 244,609
Accounts Receivable	47,909	17,647
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 267,231</u>	<u>\$ 262,256</u>

ISTHMUS MONTESSORI ACADEMY, INC.Notes to Financial Statements
July 31, 2023 and 2022**Note 3 - Property and Equipment**

The major categories of property and equipment included on the statements of financial position at July 31 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 538,000	\$ -
Buildings	3,344,905	-
Equipment	113,552	114,406
Furniture and Fixtures	113,696	105,359
Leasehold Improvements	-	948,121
Construction in Process	597,023	345,462
	<u>4,707,176</u>	<u>1,513,348</u>
Total Property and Equipment		
Less: Accumulated Depreciation	598,374	450,686
	<u>4,108,802</u>	<u>1,062,662</u>
Net Property and Equipment		

Note 4 - Notes Payable

Notes payable at July 31, consisted of the following:

	<u>2023</u>	<u>2022</u>
5.5% note payable to Monona Bank, payable in monthly installments of \$11,720 including interest. Secured by substantially all assets of the Academy as well as real estate owned by directors of the Academy. The note payable was satisfied with the debt issued in April 2023.	\$ -	\$ 537,353
7.05% note payable to Lake Ridge Bank. Payable in monthly payments of \$29,792, including interest. Secured by real estate. The note payable matures in April 2028.	3,251,763	-
5% unsecured note payable to a member of the board of directors, payable in monthly installments of \$1,726, including interest. Matured in June 2023.	-	18,517
Total Notes Payable	<u>\$ 3,251,763</u>	<u>\$ 555,870</u>

ISTHMUS MONTESSORI ACADEMY, INC.

Notes to Financial Statements
July 31, 2023 and 2022

Note 4 - Notes Payable (Continued)

Future minimum principal payments on notes payable at July 31 are as follows:

	Year Ending	
2024	\$	132,538
2025		142,190
2026		152,545
2027		163,654
2028		2,660,836
	<u>\$</u>	<u>3,251,763</u>

Note 5 - Lease Arrangement

The Academy leased its operational facility under an operating lease that was to expire in August 2028. The Academy purchased the facility from the landlord in April 2023. The monthly lease payments were \$20,469 prior to purchase for the year ended July 31, 2023. Rent expense for the years ended July 31, 2023 and 2022 was \$243,879 and \$372,601, respectively.

The former lessor had a familial relationship to a member of the board of directors of the Academy.

Note 6 - Significant Concentrations

The Academy received approximately 79% and 76% of its revenues from the Wisconsin Department of Public Instruction for the years ended July 31, 2023 and 2022, respectively.

Note 7 - Revenue from Contracts with Customers

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

The Academy generates revenue from the following activities:

- Tuition — net tuition and fees for student education

Disaggregation of Revenue

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

2023	
<u>Segments</u>	<u>Tuition (Net)</u>
Timing of Revenue Recognition	
Services Transferred Over Time	\$ 609,571

2022	
<u>Segments</u>	<u>Tuition (Net)</u>
Timing of Revenue Recognition	
Services Transferred Over Time	\$ 561,845

ISTHMUS MONTESSORI ACADEMY, INC.

Notes to Financial Statements
July 31, 2023 and 2022

Note 7 - Revenue from Contracts with Customers (Continued)

Opening and Closing Balances of Receivables and Liabilities

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

	At July 31, 2023	At July 31, 2022	At July 30, 2021
Accounts Receivable, Net	\$ 47,909	\$ 17,647	\$ 14,568
Deferred Revenue	\$ 10,128	\$ 41,039	59,942

Supplementary Information

ISTHMUS MONTESSORI ACADEMY, INC.

Schedule of Revenues and Expenses

For the Year Ended July 31, 2023

	<u>Private School</u>	<u>Public School</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
State Aid	\$ -	\$ 2,010,249	\$ 2,010,249
Federal Funds	-	717,164	717,164
Tuition, Net	609,571	-	609,571
Other Revenue	63,054	26,985	90,039
Total Revenues and Other Support	<u>672,625</u>	<u>2,754,398</u>	<u>3,427,023</u>
EXPENSES			
Instruction	276,936	1,569,298	1,846,234
Instructional Support	29,588	167,669	197,257
Facilities	35,333	200,222	235,555
Administration	44,421	251,720	296,141
Other	73,408	415,981	489,389
Total Expenses	<u>459,686</u>	<u>2,604,890</u>	<u>3,064,576</u>
NET ASSETS - BEGINNING	<u>287,148</u>	<u>336,422</u>	<u>623,570</u>
NET ASSETS - ENDING	<u>\$ 500,087</u>	<u>\$ 485,930</u>	<u>\$ 986,017</u>

Additional Reports

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Isthmus Montessori Academy, Inc.
Madison, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Isthmus Montessori Academy, Inc. (the Academy), which comprise the statement of financial position as of July 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

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

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 to 2023-002, that we consider to be material weaknesses and item 2023-003 as a significant deficiency.

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 did not disclose any instances of noncompliance that is required to be reported under *Government Auditing Standards*.

To the Board of Directors
Isthmus Montessori Academy, Inc.

Isthmus Montessori Academy, Inc.'s Responses to Findings

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

Purpose of this Report

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

KerberRose SC

KerberRose SC
Certified Public Accountants
Appleton, Wisconsin
December 4, 2023



Independent Auditors' Report on Compliance for the Major State Program and on Internal Control Over Compliance Required by the Wisconsin Department of Public Instruction

To the Board of Directors
Isthmus Montessori Academy, Inc.
Madison, Wisconsin

Report on Compliance for the Major State Program

Opinion on the Major State Program

We have audited the Academy's compliance with the types of compliance requirements identified as subject to audit in the *Wisconsin School Academy Audit Manual*, that could have a direct and material effect on the Academy's major state program for the year ended July 31, 2023. The Academy's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended July 31, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Wisconsin Public School Academy Audit Manual*. Our responsibilities under those standards and *Wisconsin Public School Academy Audit Manual* are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major state program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

To the Board of Directors
Isthmus Montessori Academy, Inc.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Wisconsin Department of Public Instruction Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of the major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Wisconsin Department of Public Instruction Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Wisconsin Department of Public Instruction Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

To the Board of Directors
Isthmus Montessori Academy, Inc.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Wisconsin Department of Public Instruction Audit Manual*. Accordingly, this report is not suitable for any other purpose.

KerberRose SC

KerberRose SC
Certified Public Accountants
Appleton, Wisconsin
December 4, 2023

Federal and State Awards Section

ISTHMUS MONTESSORI ACADEMY, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended July 31, 2023

Awarding Agency/ Award Description/ Pass-Through Agency	ALN	Pass - Through Agency	Pass Through I.D. Number	Accrued Receivable 8/1/22	Grantor Reimbursements	Expenditures	Accrued Receivable 7/31/23
U.S. DEPARTMENT OF AGRICULTURE							
<i>CHILD NUTRITION CLUSTER</i>							
National School Lunch Program	10.555	WI DPI	2022-252646-DPI-NSL-547	\$ -	\$ 339	\$ 339	\$ -
National School Lunch Program	10.555	WI DPI	2023-252646-DPI-NSL-547	-	32,233	32,233	-
<i>Total National School Lunch Program</i>				-	32,572	32,572	-
Total U.S. Department of Agriculture and Child Nutrition Cluster				-	32,572	32,572	-
U.S. DEPARTMENT OF EDUCATION							
Title I Grants to Local Educational Agencies	84.010	WI DPI	2023-138141-WCSP-141	-	16,225	16,225	-
<i>SPECIAL EDUCATION CLUSTER</i>							
Special Education Grants to Schools	84.027	WI DPI	2023-138141-WCSP-141	-	36,329	36,329	-
Special Education Preschol Grants	84.173	WI DPI	2023-138141-WCSP-141	-	907	907	-
Special Education Preschol Grants	84.173	WI DPI	2022-138141-WCSP-141	-	1,632	1,632	-
<i>Total Special Education Cluster</i>				-	38,868	38,868	-
Wisconsin Charter Schools Program	84.282	WI DPI	2023-138141-WCSP-360	-	107,607	107,607	-
Student Support and Academic Enrichment Grants	84.424	WI DPI	2023-0567734-DPI-TIV-A-381	-	10,000	10,000	-
Elementary and Secondary School Emergency Relief II	84.425	WI DPI	2022-138141-DPI-ESSERFII-163	-	15,782	15,782	-
Elementary and Secondary School Emergency Relief III	84.425	WI DPI	2023-138141-DPI-ESSERFII-163	-	320,871	320,871	-
Total U.S. Department of Education				-	509,353	509,353	-
TOTAL FEDERAL AWARDS				\$ -	\$ 541,925	\$ 541,925	\$ -

Reconciliation to the basic financial statements:

Government Grants

Grants

\$ 2,727,413

Less: State Sources

(2,010,249)

Less: Federal Sources not Considered Federal Financial Assistance

(175,239)

Total Expenditures of Federal Awards

\$ 541,925

The accompanying notes are an integral part of this schedule.

(These notes are on page 23)

ISTHMUS MONTESSORI ACADEMY, INC.
Schedule of State Financial Assistance
For the Year Ended July 31, 2023

Awarding Agency/ Award Description/ Pass-Through Agency	State I.D. Number	State Pass Through I.D. Number	Accrued Receivable 8/1/22	State Reimbursements	Expenditures	Accrued Receivable 7/31/23
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION						
ENTITLEMENT PROGRAMS						
<i>MAJOR STATE PROGRAMS:</i>						
Charter Schools State Aid - 2x Special Needs Pupils and School Age Parents:	255.289	138141	\$ -	\$ 1,889,856	\$ 1,889,856	\$ -
Internal District Program	255.101	138141-100	-	90,203	90,203	-
State School Lunch Aid Match	255.102	13841	-	688	688	-
Aid for School Mental Health Programs	255.227	13841	-	29,502	29,502	-
TOTAL MAJOR STATE PROGRAMS			<u>\$ -</u>	<u>\$ 2,010,249</u>	<u>\$ 2,010,249</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.
(These notes are on page 23)

ISTHMUS MONTESSORI ACADEMY, INC.

Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
July 31, 2023

Note 1 – Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance (the Schedules) include the federal and state grant activity of Isthmus Montessori Academy, Inc. under programs of the federal and state governments for the year ended July 31, 2023. The information in these Schedules is presented in accordance with the requirements of Wisconsin Department of Public Instruction and *Wisconsin Public School Academy Audit Manual*. Because the Schedules present only a selected portion of the operations of the Academy, they are not intended to and do not present the financial position or changes in net position of the Academy.

Note 2 – Special Education and School Age Parents Program

2022 – 2023 eligible costs under the State Special Education Program are \$90,203.

Note 3 – Oversight Agencies

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

ISTHMUS MONTESSORI ACADEMY, INC.

Schedule of Findings and Responses

For the Year Ended July 31, 2023

Section I – Summary of Auditors’ Responses

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	Yes
Noncompliance material to the financial statements?	No

State Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency identified?	None Reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Wisconsin Public School Academy Audit Manual?	No

Identification of major state program:

State I.D. Number	Name of State Program
255.101	Special Needs Pupils and School Age Parents
Dollar threshold used to distinguish between Type A and Type B Programs	\$250,000

ISTHMUS MONTESSORI ACADEMY, INC.
Schedule of Findings and Responses - Continued
For the Year Ended July 31, 2023

Section II – Financial Statement Finding

2023-001 – Financial Reporting

Condition:	The Academy's management does not have the necessary training to record year end adjustments to the general ledger and to prepare the financial statements, including related notes and required supplementary information, in accordance with generally accepted accounting principles (GAAP). As a result, the financial statements were prepared by the outside auditors.
Cause:	The Academy's management does not have the training to prepare the financial statements and related notes in accordance with GAAP.
Criteria:	One of the components of internal control over financial reporting is that personnel within the entity be sufficiently knowledgeable to record the entity's financial transactions in accordance with generally accepted accounting principles (GAAP) and to prepare the Academy's financial statements, including related notes and required supplemental information in accordance with those accounting principles.
Effect:	Consequently, during our audit we prepared the Academy's financial statements and management reviewed and accepted responsibility for the financial statements, including related notes and required supplementary information.
Recommendation:	This matter is common in most small companies since they do not have the resources to devote to this area of internal control. We recommend that the Academy continue to rely on the external auditors to prepare the financial statements and related notes and required supplementary information in accordance with generally accepted accounting principles.
Management's Response:	Management is in agreement with the recommendation.

ISTHMUS MONTESSORI ACADEMY, INC.
Schedule of Findings and Responses - Continued
For the Year Ended July 31, 2023

Section II – Financial Statement Finding (Continued)

2023-002 – Material Journal Entries

Condition:	During our audit, we identified and proposed fifteen journal entries to various general ledger accounts, which were approved and posted by management. Of the fifteen journal entries proposed and accepted by management, five were material to the financial statements as a whole.
Cause:	Due to the size of the Academy and the limited number of accounting personnel, the Academy lacks an individual skilled in recording financial information in accordance with GAAP.
Criteria:	Internal control systems should include personnel with sufficient education, training and/or experience to record financial information in accordance with generally accepted accounting principles (GAAP).
Effect:	The effect of improper accounting during the year is that management could be reviewing materially incorrect financial information.
Recommendation:	The Academy should consider providing additional training to staff who record financial information. We also recommend the accounts be reconciled on a monthly basis.
Management's Response:	The Academy's management agrees with the finding and has concluded they will work to improve the accounting processes.

2023-003 – Segregation of Duties

Condition:	The size of the Academy is such that its accounting staff is not large enough to provide segregation of duties that would be ideal.
Cause:	Due to limited staff, management is unable to properly segregate duties.
Criteria:	Internal control systems should include procedures to separate duties so that no one individual controls assets and performs the related record keeping.
Effect:	Due to the lack of segregation of duties, unauthorized transactions could occur within the Academy.
Recommendation:	We recognize that the Academy is not large enough to make the employment of additional persons for the purpose of segregating duties practical from a financial standpoint. We recommend that the Academy continue to have the Board of Directors review the financial information.
Management's Response:	The Academy is aware of the lack of segregation of duties caused by the limited size of its staff and therefore, agrees with the finding. The Academy will continue to improve segregation of duties as they are able and continue to have the Board of Directors involved as much as possible.

ISTHMUS MONTESSORI ACADEMY, INC.
Schedule of Findings and Responses - Continued
For the Year Ended July 31, 2023

Section III – State Award Findings and Responses

No matters noted.

Section IV – Other Issues

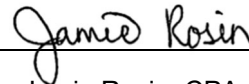
Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

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

Department of Public Instruction Yes

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

Name and Signature of Partner



Jamie Rosin, CPA

Date of report

December 4, 2023

ISTHMUS MONTESSORI ACADEMY, INC.

Summary Schedule of Prior Audit Findings
For the Year Ended July 31, 2023

Financial Statement Findings

2023-001 – Financial Reporting

This matter was not resolved. This matter is part of Finding 2023-001 in the current year.

2023-002 – Material Journal Entries

This matter was not resolved. This matter is part of Finding 2023-002 in the current year.

2023-003 – Segregation of Duties

This matter was not resolved. This matter is part of Finding 2023-003 in the current year.



Corrective Action Plan

Financial Statement Finding

2023-001 – Financial Accounting and Reporting

The Academy management believes that the cost of devoting resources to the preparation of financial statements in accordance with generally accepted accounting principles would outweigh the benefits to be received. The Academy will continue to use the services of their current audit firm for the necessary guidance to prepare financial statements in accordance with generally accepted accounting principles. The Academy management will continue to review, approve and accept responsibility for the draft financial statements prepared by the audit firm.

Responsible Official

Melissa Droessler

Anticipated Completion Date

The finding will not completely resolve given the limited amount of financial staff and limited resources of the Academy. The Academy will continue to rely on board oversight and review of the financial records.

2023-002 – Material Journal Entries

The Academy management has hired additional staff with an accounting background to assist in the month and year end close process.

Responsible Official

Melissa Droessler

Anticipated Completion Date

The Academy believes this will be resolved in the 2023/2024 fiscal year.

2023-003 – Segregation of Duties

The Academy will continue to rely on its direct knowledge of daily operations and direct contact with employees to control and safeguard assets.

Responsible Official

Melissa Droessler

Anticipated Completion Date

The finding will not completely resolve given the limited amount of financial staff and limited resources of the Academy. The Academy will continue to rely on board oversight and review of the financial records.