



**STATE OF INDIANA**  
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March 8, 2024

Charter School Board  
Community Montessori, Inc.  
Floyd County, Indiana

We have reviewed the Supplemental Audit Report for Community Montessori, Inc. prepared by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report on page 3. Management's response is on page 5.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**COMMUNITY MONTESSORI, INC.  
FLOYD COUNTY, INDIANA**

**SUPPLEMENTAL AUDIT REPORT**

**JULY 1, 2022 TO JUNE 30, 2023**



CPAs | CONSULTANTS | WEALTH ADVISORS

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**COMMUNITY MONTESSORI, INC.  
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JULY 1, 2022 TO JUNE 30, 2023**

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**COMMUNITY MONTESSORI, INC.  
FLOYD COUNTY, INDIANA  
SCHOOL OFFICIALS  
JULY 1, 2022 TO JUNE 30, 2023**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Board President	Melissa Merida	07/01/2022 – 06/30/2023
Executive Director	Barbara Burke Fondren	07/01/2022 – 06/30/2023
Administrative Finance	Melissa Cole	07/01/2022 – 06/30/2023



CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Community Montessori, Inc.  
New Albany, Indiana

We have audited the financial statements of Community Montessori, Inc. (the School) as of and for the year ended June 30, 2023 and have issued our report thereon dated February 14, 2024. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 14, 2024

**COMMUNITY MONTESSORI, INC.  
FLOYD COUNTY, INDIANA  
AUDIT RESULTS AND COMMENTS  
JULY 1, 2022 TO JUNE 30, 2023**

**PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

An audit adjustment related to the Employee Retention Credit (ERC) grant program for \$1,235,193 was detected as a result of audit procedures. Given the uncertain nature of the ERC program and School eligibility under IRS audit, the receipts under this program were adjusted out of grant income and to a refundable advance as of June 30, 2023. The total ERC claim was recognized as accounts receivable with the related loss contingency of \$1,481,458. As a result, these accounts were materially misstated and are considered a material weakness in internal controls. Proper procedures around grant receivables and related loss contingencies are an important element of internal controls.

Indiana Code 20-24-7-1 provides that "...The state examiner shall establish guidelines and prescribe reporting requirements for organizers under this section that are consistent with generally accepted accounting principles (GAAP)..."

Charter schools shall have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records, and financial statements about incorrect decision making. (Accounting and Uniform Compliance Guidelines for Indiana Charter Schools, Part 10)

**REQUIRED REPORTS**

During our testing, it was noted that the Form 9 for the reporting period January 1, 2022 through June 30, 2023 ending cash balance of \$6,512,175 did not agree to the year ended cash balance per the school records of \$6,431,920 for a difference of \$80,255.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information and shall be reported utilizing the State Board of Accounts prescribed chart of accounts. The January report must include previous calendar year financial and other required information for the period of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools Manual, Part 9)

**COMMUNITY MONTESSORI, INC.  
FLOYD COUNTY, INDIANA  
EXIT CONFERENCE  
JULY 1, 2022 TO JUNE 30, 2023**

The contents of this report were discussed on December 19, 2023 with Barbara Burke Fondren, Executive Director, and Melissa Cole, Administrative Finance and updated with Barbara Burke Fondren, Executive Director, on February 14, 2014. The School's official response has been made part of this report beginning on page 5.



February 15, 2024

CliftonLarsonAllen LLP  
Attn: Kyla Greenhoe  
9365 Counselors Row #200  
Indianapolis  
IN 46240

Hello Kyla,

Please find below the school's official response to the Audit results.

We accept the material weakness in our application of our Employee Retention Credit (ERC) to GAAP but would request this forum to cite mitigating circumstances. It would not be misleading to say that the COVID era federal programs presented a unique income measurement challenge in that they were unprecedented in their scope and complexity and will not likely recur again. We considered the measurement effect of accruing the ERC grant when application was made but concluded that, because qualifications for applications changed repeatedly in the early weeks after announcement, and the whole program became increasingly controversial, it was not proper to accrue the grant revenue. Furthermore, reserving the entire award by providing for its possible denial leaves us in the same position as if we had never applied for ERC. The Internal Revenue Service (IRS) reviewed the applications, refunded 3 of the 4 periods covered, then decided to audit the entire claim, virtually admitting that they were making up the rules contemporaneously as they watched yet another program sink into fraud and manipulation. We only regret that GAAP principles aren't flexible enough to prevent a material weakness in complying with federal grant programs that, to this day, are being granted and revoked in arbitrary decisions. We also regret that strict adherence to GAAP principles require us to remove the ERC grants from revenue but include in expense the commissions that were paid to the contractor to prepare the grant application when they are contractually obligated to return the commissions if the grants are disallowed after audit.

At the time of the June 30, 2023 Form 9 for Community Montessori was filed, new investment accounts had been opened requiring special Form 9 Statement of Investment entries. Unbeknownst to the school until the release of the Form 9 files, the way in which these entries were recorded caused the \$80,255 discrepancy between ending cash balances. The school worked with the IDOE to record these entries correctly and reconcile to the correct closing balances for both cash and the Statement of Investments during the December 31 2023 Form 9.

Sincerely,

Melissa Cole  
Finance Coordinator  
Community Montessori



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