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December 22, 2016

Charter School Board  
Community Montessori Inc.  
4102 St. Joseph Rd.  
New Albany, IN 47150

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Donovan P.C., Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Community Montessori Inc., as of June 30, 2016, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**COMMUNITY MONTESSORI, INC.**

**FINANCIAL STATEMENTS**

Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015



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## *Independent Auditors' Report*

The Board of Directors  
Community Montessori, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Community Montessori, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Montessori, Inc. as of June 30, 2016 and 2015, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

A handwritten signature in black ink that reads "DONOVAN". The signature is written in a cursive style with a large, looped initial "D".

Indianapolis, Indiana  
September 13, 2016

**COMMUNITY MONTESSORI, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,531,899	\$ 2,182,545
Bank certificate of deposit	226,882	225,748
Accounts receivable, net of allowance	11,725	14,443
Grants receivable	3,342	10,577
Prepaid expenses	<u>22,291</u>	<u>21,280</u>
<i>Total current assets</i>	<u>2,796,139</u>	<u>2,454,593</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	150,296	150,296
Buildings and improvements	11,390,788	11,371,326
Furniture and equipment	175,982	175,982
Less: accumulated depreciation	<u>(2,755,733)</u>	<u>(2,463,003)</u>
<i>Property and equipment, net</i>	<u>8,961,333</u>	<u>9,234,601</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,757,472</u>	<u>\$ 11,689,194</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 214,195	\$ 516,383
Accounts payable and accrued expenses	269,291	274,908
Deferred revenue	<u>165,113</u>	<u>176,432</u>
<i>Total current liabilities</i>	648,599	967,723
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion	<u>6,129,866</u>	<u>6,349,415</u>
<i>Total liabilities</i>	<u>6,778,465</u>	<u>7,317,138</u>
<b>NET ASSETS</b>		
Unrestricted	4,971,306	4,359,025
Temporarily restricted	<u>7,701</u>	<u>13,031</u>
<i>Total net assets</i>	<u>4,979,007</u>	<u>4,372,056</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,757,472</u>	<u>\$ 11,689,194</u>

See independent auditors' report and accompanying notes to the financial statements.

**COMMUNITY MONTESSORI, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>			<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>						
State education support	\$ 3,444,292	\$ -	\$ 3,444,292	\$ 3,351,092	\$ -	\$ 3,351,092
Program fees	483,712	-	483,712	340,648	-	340,648
Grant revenue	123,728	-	123,728	139,055	-	139,055
Student fees	143,450	-	143,450	145,077	-	145,077
Contributions	25,479	1,296	26,775	10,894	11,396	22,290
Fundraising	55,454	-	55,454	44,998	-	44,998
Interest	6,626	-	6,626	7,561	-	7,561
Other	15,502	-	15,502	17,035	-	17,035
Net assets released from restrictions	6,626	(6,626)	-	8,548	(8,548)	-
<i>Total revenue and support</i>	<u>4,304,869</u>	<u>(5,330)</u>	<u>4,299,539</u>	<u>4,064,908</u>	<u>2,848</u>	<u>4,067,756</u>
<b>EXPENSES</b>						
Program services	3,103,321	-	3,103,321	3,013,326	-	3,013,326
Management and general	532,817	-	532,817	525,730	-	525,730
Fundraising	56,450	-	56,450	35,890	-	35,890
<i>Total expenses</i>	<u>3,692,588</u>	<u>-</u>	<u>3,692,588</u>	<u>3,574,946</u>	<u>-</u>	<u>3,574,946</u>
<b>CHANGE IN NET ASSETS</b>	612,281	(5,330)	606,951	489,962	2,848	492,810
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,359,025</u>	<u>13,031</u>	<u>4,372,056</u>	<u>3,869,063</u>	<u>10,183</u>	<u>3,879,246</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,971,306</u>	<u>\$ 7,701</u>	<u>\$ 4,979,007</u>	<u>\$ 4,359,025</u>	<u>\$ 13,031</u>	<u>\$ 4,372,056</u>

See independent auditors' report and accompanying notes to the financial statements.

**COMMUNITY MONTESSORI, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>				<u>2015</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>FUNCTIONAL EXPENSES</b>								
Salaries and wages	\$ 1,726,254	\$ 291,734	\$ -	\$ 2,017,988	\$ 1,589,939	\$ 280,729	\$ -	\$ 1,870,668
Employee benefits	395,863	57,495	-	453,358	382,418	59,673	-	442,091
Staff development and recruitment	27,934	-	-	27,934	23,321	-	-	23,321
Professional services	65,112	9,476	-	74,588	62,565	17,243	-	79,808
Program expenses	56,927	-	-	56,927	58,444	-	-	58,444
Dues, licenses and subscriptions	-	101,990	-	101,990	-	91,412	-	91,412
Advertising	-	3,530	-	3,530	-	3,061	-	3,061
Travel	-	2,552	-	2,552	-	2,732	-	2,732
Information technology	81,532	-	-	81,532	58,467	11,739	-	70,206
Minor equipment	11,528	-	-	11,528	38,965	-	-	38,965
Supplies	67,456	12,927	-	80,383	85,101	8,417	-	93,518
Occupancy	155,488	-	-	155,488	174,890	-	-	174,890
Depreciation	292,730	-	-	292,730	285,908	-	-	285,908
Interest	222,497	-	-	222,497	253,308	-	-	253,308
Insurance	-	27,408	-	27,408	-	26,514	-	26,514
Fundraising	-	-	56,450	56,450	-	-	35,890	35,890
Other	-	25,705	-	25,705	-	24,210	-	24,210
<i>Total functional expenses</i>	<u>\$ 3,103,321</u>	<u>\$ 532,817</u>	<u>\$ 56,450</u>	<u>\$ 3,692,588</u>	<u>\$ 3,013,326</u>	<u>\$ 525,730</u>	<u>\$ 35,890</u>	<u>\$ 3,574,946</u>

See independent auditors' report and accompanying notes to the financial statements.

**COMMUNITY MONTESSORI, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 606,951	\$ 492,810
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	292,730	285,908
Change in certain assets and liabilities:		
Accounts receivable	2,718	217
Grants receivable	7,235	4,382
Prepaid expenses	(1,011)	(2,995)
Accounts payable and accrued expenses	(5,617)	26,224
Deferred revenue	(11,319)	28,221
	<u>891,687</u>	<u>834,767</u>
<i>Net cash provided by operating activities</i>		
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(19,462)	(187,337)
Additions to bank certificate of deposit	(1,134)	(1,126)
	<u>(20,596)</u>	<u>(188,463)</u>
<i>Net cash used by investing activities</i>		
<b>FINANCING ACTIVITIES</b>		
Principal repayment of notes payable	(521,737)	(717,936)
	<u>(521,737)</u>	<u>(717,936)</u>
<b>NET CHANGE IN CASH</b>	349,354	(71,632)
<b>CASH, BEGINNING OF YEAR</b>	<u>2,182,545</u>	<u>2,254,177</u>
<b>CASH, END OF YEAR</b>	<u>\$ 2,531,899</u>	<u>\$ 2,182,545</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 231,933	\$ 255,227

See independent auditors' report and accompanying notes to the financial statements.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – Community Montessori, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The School also provides an early childhood education program for children ages three and four on a fee basis. For 2015-2016 school year, the School served approximately 615 students in preschool through high school.

Accounting 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other publicly funded schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

Program fees and materials and supplies fees are paid by families based on the number of children enrolled, and are recognized in the academic school year to which the payments pertain.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Accounts Receivable – Accounts receivable relate primarily to activities funded under grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful account is deemed necessary with regard to such receivables. Other receivables are reviewed for collectability on an annual basis. The accompanying financial statements reflect an allowance for doubtful accounts of \$15,203 and \$5,790 as of June 30, 2016 and 2015, respectively, relating to program fees.

Contributions – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Deferred Income – Deferred income consists of early education program fee deposits and materials and supplies fee deposits received as part of the enrollment process for the subsequent academic school year.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$5,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Buildings and improvements	40 years
Furniture and equipment	3 to 7 years

Taxes on Income – Community Montessori, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its exempt purpose. For the years ended June 30, 2016 and 2015, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending after 2012 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through September 13, 2016 the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required. One subsequent event was identified, and is further discussed in Note 10.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 2 – LEGISLATIVE FUNDING CHANGES**

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July 2013 to December 2013 was suspended. This elimination of funding resulted in a non-operating loss of \$1,477,941.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013. The repayment of debt resulted in non-operating income of \$861,897 comprised of the following:

Repayment of Common School Fund loans	\$ 733,133
Repayment of accrued interest on Common School Fund loans	<u>128,764</u>
	<u>\$ 861,897</u>

The School believes that it has been adversely affected by the legislative changes relating to the elimination of funding, and is pursuing relief through its elected representatives and the Indiana Department of Education. The prospect for success is unknown as of June 30, 2016. The School continues to carry a receivable of \$1,477,941 relating to the funding reduction, offset by a collectability allowance in the same amount.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 3 – NOTES PAYABLE**

Notes payable as of June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Note payable to Stock Yards Bank & Trust, payable \$26,716 monthly, including interest at 2.77% per annum, refinanced in July 2016	\$ 2,541,280	\$ 2,778,906
Note payable to Stock Yards Bank & Trust, payable \$13,088 monthly, including interest at 5.75% per annum, refinanced in July 2016	344,759	476,849
Note payable to Main Source Bank, payable \$23,592 monthly, including interest at 3.7% per annum, refinanced in July 2016	<u>3,458,022</u>	<u>3,610,043</u>
	6,344,061	6,865,798
Less: current portion	<u>(214,195)</u>	<u>(516,383)</u>
Long-term portion	\$ <u>6,129,866</u>	\$ <u>6,349,415</u>

The notes payable to Stock Yards Bank & Trust and Main Source Bank were the result of Economic Development Revenue Bonds issued by the Town of Sellersburg, Indiana. These notes were secured by first and second mortgages on the land and building as well as a security interest in all fixtures, equipment and machinery installed therein. In addition, the Charter School Development Corporation, an unrelated not-for-profit organization, pledged certificates of deposit as additional collateral.

The notes payable to Stock Yards Bank & Trust and Main Source Bank were refinanced during July 2016 with two notes payable to German American Bancorp. The School incurred \$28,518 of fees and costs related to the refinancing, which are included in the balance of the notes below. The terms of the refinanced notes are as follows:

- Note 1 - \$6,022,579, payable in monthly installments of \$33,498, including interest at 2.99% per annum, maturing in July 2036
- Note 2 - \$350,000, payable in monthly installments of \$2,108, including interest at 3.875% per annum, maturing July 2036

These notes are the result of Economic Development Revenue Bonds issued by the Town of Utica, Indiana, and are secured by first and second mortgages on the land and building. The interest rates on these loans reset at periodic intervals based on current U.S. Treasury Bond yields.

The loan agreements contain certain covenants that limit the School's ability to create liens, incur indebtedness or guarantees, purchase or dispose of assets, or change the nature of the business. The agreements also contain financial maintenance covenants establishing a minimum debt service coverage ratio. The School met the minimum debt service coverage ratio in each of the years ended June 30, 2016 and 2015.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 3 – NOTES PAYABLE, Continued**

Principal maturities of German American Bancorp notes payable are scheduled as follows for the years ending June 30:

2017	\$	214,195
2018		240,905
2019		248,423
2020		256,177
2021		264,174
Thereafter		<u>5,148,705</u>
	\$	<u>6,372,579</u>

**NOTE 4 – RESTRICTED NET ASSETS**

Temporarily restricted net assets represent contributions that have been received but not expended for the identified purposes or have been donated for use in future periods. Temporarily restricted net assets as of June 30, 2016 and 2015 were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Community activities	\$ 1,484	\$ 1,484
Infant/toddler program	-	4,808
Scholarships	4,575	5,075
Teen support group	<u>1,642</u>	<u>1,664</u>
	\$ <u>7,701</u>	\$ <u>13,031</u>

During 2016 and 2015, net assets of \$6,626 and \$8,548, respectively, were released from restriction by incurring expenses satisfying the restricted purposes or due to the passage of time.

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent. Expense under this agreement was \$80,950 and \$71,316 for the years ended June 30, 2016 and 2015, respectively.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 6 – RELATED PARTY TRANSACTIONS**

The School purchased various supplies from a company whose owner is related to a management employee of the School. Total purchases for the years ended June 30, 2016 and 2015 were \$17,663 and \$15,052, respectively. At June 30, 2016, there was no balance owed to this vendor. At June 30, 2015 there was a balance owed to this vendor of \$1,017.

**NOTE 7 – RETIREMENT PLANS**

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. For the years ended June 30, 2016 and 2015, the School contributed 7.5% of compensation for eligible teaching personnel to TRF. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2015 (the latest year reported), TRF was more than 80% funded.

All other non-teaching employees were eligible for PERF. The contribution to PERF for other employees was 9.75% from January 1, 2014 until December 31, 2014, and 11.2% thereafter. Effective in fiscal year 2015, newly-hired non-teaching personnel are enrolled in a defined contribution Section 403(b) plan in lieu of PERF. Teaching personnel can also opt to participate in the 403(b) plan in lieu of TRF. Under the 403(b) plan, the School will match an employee's contributions up to 3% of compensation, which can be higher based on years of service. Effective October 2015 the school withdrew from PERF. Substantially all full-time employees are eligible to participate in a retirement plan. Retirement plan expense under all plans was \$106,918 and \$97,419 for the years ended June 30, 2016 and 2015, respectively.

**NOTE 8 – RISKS AND UNCERTAINTIES**

The School provides educational instruction services to families residing in Floyd and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

Like other publicly funded schools, the majority of revenues relate to legislation enacted by the State of Indiana or grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at German American Bancorp generally exceed the FDIC insurance limit.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 9 – FUNCTIONAL EXPENSE REPORTING**

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between program and management services.

**NOTE 10 – SUBSEQUENT EVENTS**

On July 13, 2016, the School refinanced its notes payable held by Stock Yards Bank & Trust and Main Source Bank with new notes payable to German American Bancorp. These notes are the result of Economic Development Revenue Bonds issued by the Town of Utica, Indiana. As a result of this event, the accrued interest balance at June 30, 2016 was adjusted to the balance paid at the closing of the new notes and the principal maturities in the notes reflect the maturities due under the payment schedules of the new notes.