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March 18, 2021

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

We have reviewed the report prepared by Community Montessori, Inc. and opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Community Montessori, Inc. as of June 30, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, CliftonLarsonAllen LLP prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Community Montessori, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**COMMUNITY MONTESSORI, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**



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**COMMUNITY MONTESSORI, INC.  
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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Community Montessori, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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.

Board of Directors  
Community Montessori, Inc.

***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, 2020, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

The 2019 financial statements of Community Montessori, Inc. were audited by other auditors whose report dated October 15, 2019 expressed an unmodified opinion on those statements.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 23, 2021

**COMMUNITY MONTESSORI, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,946,022	\$ 3,311,231
Investments	1,087,069	1,051,890
Accounts Receivable, Net of Allowance	10,272	13,466
Prepaid Expenses	33,122	61,301
Total Current Assets	5,076,485	4,437,888
<b>PROPERTY AND EQUIPMENT</b>		
Land	150,296	150,296
Buildings and Improvements	11,469,533	11,390,788
Furniture and Equipment	115,540	115,540
Construction in Process	782,901	-
Less: Accumulated Depreciation	(3,854,233)	(3,563,529)
Property and Equipment, Net	8,664,037	8,093,095
Total Assets	\$ 13,740,522	\$ 12,530,983
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Notes Payable	\$ 268,795	\$ 260,178
Accounts Payable and Accrued Expenses	375,757	364,722
Deferred Revenue	152,153	161,670
Total Current Liabilities	796,705	786,570
<b>LONG-TERM LIABILITIES</b>		
Loan Payable Under Paycheck Protection Program	536,200	-
Notes Payable, Net of Current Portion	5,028,677	5,297,465
Less: Unamortized Debt Issuance Costs	(44,029)	(46,631)
Total Long-Term Notes Payable, Net of Unamortized Debt Issuance Costs	4,984,648	5,250,834
Total Liabilities	6,317,553	6,037,404
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Without Donor Restrictions:		
Undesignated	7,390,578	5,862,498
Board Designated	-	500,000
Total Without Donor Restrictions	7,390,578	6,362,498
With Donor Restrictions	32,391	131,081
Total Net Assets	7,422,969	6,493,579
Total Liabilities and Net Assets	\$ 13,740,522	\$ 12,530,983

See accompanying Notes to Financial Statements.

**COMMUNITY MONTESSORI, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
State Education Support	\$ 3,696,654	\$ -	\$ 3,696,654	\$ 3,535,509	\$ -	\$ 3,535,509
Program Fees	565,565	-	565,565	606,835	-	606,835
Grant Revenue	504,800	-	504,800	434,196	-	434,196
Student Fees	149,193	-	149,193	155,355	-	155,355
Contributions	13,231	32,453	45,684	8,215	31,892	40,107
Fundraising	26,043	-	26,043	54,401	-	54,401
Investment Gain, Net	35,179	-	35,179	48,110	-	48,110
Interest Income	9,462	-	9,462	853	-	853
Other	52,011	-	52,011	48,341	-	48,341
Net Assets Released from Restrictions	131,143	(131,143)	-	5,990	(5,990)	-
Total Revenue and Support	5,183,281	(98,690)	5,084,591	4,897,805	25,902	4,923,707
<b>EXPENSES</b>						
Program Services	3,520,617	-	3,520,617	3,591,364	-	3,591,364
Management and General	593,998	-	593,998	599,170	-	599,170
Fundraising	40,586	-	40,586	38,296	-	38,296
Total Expenses	4,155,201	-	4,155,201	4,228,830	-	4,228,830
<b>CHANGE IN NET ASSETS</b>	1,028,080	(98,690)	929,390	668,975	25,902	694,877
Net Assets - Beginning of Year	6,362,498	131,081	6,493,579	5,693,523	105,179	5,798,702
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 7,390,578</u>	<u>\$ 32,391</u>	<u>\$ 7,422,969</u>	<u>\$ 6,362,498</u>	<u>\$ 131,081</u>	<u>\$ 6,493,579</u>

See accompanying Notes to Financial Statements.

**COMMUNITY MONTESSORI, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 2,181,402	\$ 356,871	\$ -	\$ 2,538,273	\$ 2,102,973	\$ 379,395	\$ -	\$ 2,482,368
Employee Benefits	425,961	56,723	-	482,684	454,118	47,573	-	501,691
Staff Development and Recruitment	13,521	-	-	13,521	52,877	-	-	52,877
Professional Services	116,952	6,020	-	122,972	128,991	4,067	-	133,058
Program Expenses	42,207	-	-	42,207	74,891	-	-	74,891
Authorizer Oversight Fees	-	91,457	-	91,457	-	87,024	-	87,024
Dues, Licenses, and Subscriptions	-	15,391	-	15,391	-	18,723	-	18,723
Advertising	-	961	-	961	-	1,256	-	1,256
Travel	-	3,308	-	3,308	-	2,225	-	2,225
Information Technology	36,352	-	-	36,352	52,340	-	-	52,340
Minor Equipment	11,212	-	-	11,212	7,882	-	-	7,882
Supplies	72,106	3,287	19,155	94,548	92,175	4,988	-	97,163
Occupancy	160,495	-	-	160,495	158,640	-	-	158,640
Depreciation	290,704	-	-	290,704	289,300	-	-	289,300
Interest	169,705	-	-	169,705	177,177	-	-	177,177
Insurance	-	40,168	-	40,168	-	30,931	-	30,931
Fundraising	-	-	21,431	21,431	-	-	38,296	38,296
Other	-	19,812	-	19,812	-	22,988	-	22,988
<b>Total Functional Expenses</b>	<b>\$ 3,520,617</b>	<b>\$ 593,998</b>	<b>\$ 40,586</b>	<b>\$ 4,155,201</b>	<b>\$ 3,591,364</b>	<b>\$ 599,170</b>	<b>\$ 38,296</b>	<b>\$ 4,228,830</b>

See accompanying Notes to Financial Statements.

**COMMUNITY MONTESSORI, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 929,390	\$ 694,877
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	290,704	289,300
Amortization	2,602	2,603
Gain on Investments, Net	(35,179)	(48,110)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	3,194	119
Prepaid Expenses	28,179	933
Accounts Payable and Accrued Expenses	11,035	2,304
Deferred Revenue	(9,517)	10,007
Net Cash Provided by Operating Activities	1,220,408	952,033
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	-	(500,000)
Purchase of Property and Equipment	(78,745)	-
Construction in Process	(782,901)	-
Net Cash Used by Investing Activities	(861,646)	(500,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Loan Payable Under Paycheck Protection Program	536,200	-
Principal Repayment of Notes Payable	(260,171)	(252,699)
Net Cash Provided (Used) by Financing Activities	276,029	(252,699)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	634,791	199,334
Cash and Cash Equivalents - Beginning of Year	3,311,231	3,111,897
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,946,022	\$ 3,311,231
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 167,103	\$ 174,574

See accompanying Notes to Financial Statements.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Community Montessori, Inc. (the School) is a public benefit nonprofit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is 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 2019-2020 school year, the School served approximately 600 students in preschool through high school.

**Change in Accounting Principle**

In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable the financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. No cumulative-effect adjustments in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the School's reported historical revenue. The early implementation of the standard did not significantly impact the School's financial statements.

In June 2018, FASB issued ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The new guidance does not require prior period results to be restated. The implementation of this standard did not significantly impact the School's financial statements.

**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.

**Board-Designated Net Assets**

The board designated \$500,000 of net assets at June 30, 2019 for purposes related to the expansion of the School.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**Revenue Recognition**

Revenues primarily come from conditional 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 public 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.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2020, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services. Amounts received prior to the service is performed is reported as deferred revenues in the statement of financial position. As of June 30, 2020 and 2019, the School has \$152,153 and \$161,670, respectively, of deferred revenue from student fees.

**Grant, Contribution, and Fundraising Revenue**

The School receives income from grants, contributions, and fundraising that support certain school activities. Such revenue 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 and grants 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets 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.

**Grants and Accounts Receivable**

Grants 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 grant receivables. Accounts receivable relate primarily to program fees collected annually from the School's students. These accounts receivable are reviewed for collectability annually. The accompanying financial statements reflect an allowance for doubtful accounts of \$25,031 and \$21,345 as of June 30, 2020 and 2019, respectively, relating to program fees.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statements of financial position. Unrealized gains and losses are included in the statement of activities and change in net assets. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

**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

**Impairment of Long-Lived Assets**

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

**Deferred Revenue**

Deferred revenue 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.

**Debt Issuance Costs**

Debt issuance costs include expenses incurred as part of the July 2016 refinancing of long-term debt. Amortization of the \$52,041 in debt issuance costs is provided on a straight-line basis over the 20-year term of the related notes payable. Accumulated amortization was \$8,012 and \$5,410 as of June 30, 2020 and 2019, respectively. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**Taxes on Income**

The School has received a determination from the U.S. Internal Revenue Service 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 tax-exempt purpose. For the years ended June 30, 2020 and 2019, 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 U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

**Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The School is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Subsequent Events**

The School evaluated subsequent events through February 23, 2021, 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.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 nonoperating 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 nonoperating 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	128,764
Total	<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, 2020. 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.

**NOTE 3 INVESTMENTS**

The School held the following investments as of June 30:

	<u>2020</u>	<u>2019</u>
Mutual Funds:		
MFS Corporate Bond A	\$ 151,484	\$ 137,585
MFS Diversified Income A	138,617	140,451
MFS limited Maturity A	135,768	131,106
MFS Total Return Bond A	145,149	134,868
Certificate of Deposit	516,051	507,880
Total	<u>\$ 1,087,069</u>	<u>\$ 1,051,890</u>

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 NOTES PAYABLE**

Notes payable consisted of the following as of June 30:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Note payable to German American Bancorp, payable \$33,498 monthly, including interest at 2.99% per annum, maturing in July 2036.	\$ 5,112,065	\$ 5,354,623
Note payable to German American Bancorp. payable \$2,108 monthly, including interest at 3.88% per annum, maturing in July 2036.	<u>185,407</u>	<u>203,020</u>
Total	5,297,472	5,557,643
Less: Current Portion	<u>(268,795)</u>	<u>(260,178)</u>
Long-Term Portion	<u>\$ 5,028,677</u>	<u>\$ 5,297,465</u>

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

<u>Year Ending June 30.</u>	<u>Amount</u>
2021	\$ 268,795
2022	279,489
2023	288,134
2024	297,047
2025	306,238
Thereafter	<u>3,857,769</u>
Total	<u>\$ 5,297,472</u>

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 LOAN PAYABLE UNDER THE PAYCHECK PROTECTION PROGRAM**

In April 2020, the School received a loan from German American Bancorp in the amount of \$536,200, to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the “PPP Loan”). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over eighteen months, deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the School fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020, principal and interest payments will be required through the maturity date in April 2022. Subsequent to year-end, the full amount was forgiven.

**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions represent contributions that have been received but not expended for the identified purposes or have been donated for use in future periods. Net assets with donor restrictions were available for the following purposes as of June 30:

	2020	2019
Casa dei Curiosities Capital Projects	\$ 27,818	\$ 128,614
Community Activities	-	240
Scholarships	3,575	1,000
Teen Support Group	998	1,227
Total	\$ 32,391	\$ 131,081

During 2020 and 2019, net assets of \$131,143 and \$5,990, respectively, were released from restriction by incurring expenses satisfying the restricted purposes or due to the passage of time.

**NOTE 7 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, 2022 and is renewable thereafter by mutual consent. Expense under this agreement was \$91,457 and \$87,024 for the years ended June 30, 2020 and 2019, respectively.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 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, 2020 and 2019 were \$18,730 and \$16,779, respectively.

**NOTE 9 LEASES**

The School leases equipment under operating lease agreements that expire in 2021. Expense under these operating leases was \$4,289 and \$3,602 for the years ended June 30, 2020 and 2019, respectively.

A schedule of minimum lease obligations are as follows for the year ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 2,292

**NOTE 10 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 part of 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, 2020 and 2019, the School contributed 5.5% and 7.5%, respectively, of compensation for eligible teaching personnel. 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, 2019 (the latest year reported), TRF was approximately 102% funded.

All nonteaching personnel are eligible to enroll in a defined contribution Section 403(b) plan. Teaching personnel can also opt to participate in the 403(b) plan in lieu of TRF. Under the 403(b) plan, the School will provide a 3%-6% match of an employee's contribution, depending on years of service. Retirement plan expense under all plans was \$34,391 and \$113,315 for the years ended June 30, 2020 and 2019, respectively.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 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.

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Any changes in state or federal legislation could significantly impact 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.

The School primarily maintains its cash and cash equivalents in various accounts at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance School (FDIC) up to specified limits. At times, amounts on deposit may exceed insured limits or include unsecured accounts. To date, the School has not experienced losses in any of these accounts.

During the year ended June 30, 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to the School, COVID-19 has impacted various parts of its 2020 and 2021 operations and financial results, including an increase in nutrition funding. Management believe the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

**NOTE 12 LIQUIDITY**

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2019 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash and cash equivalents, investments, and accounts receivable.

	<u>2020</u>	<u>2019</u>
Financial Assets	\$ 5,043,363	\$ 4,376,587
Less: Those Unavailable for General Expenditures Within One Year, Due to:		
Board Designated for Specific Expansion	-	(500,000)
Restrictions by Donor with Time or Purpose	<u>(32,391)</u>	<u>(131,081)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 5,010,972</u>	<u>\$ 3,745,506</u>

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 12 LIQUIDITY (CONTINUED)**

The School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The board exercised the option to un-designate the \$500,000 of board designated net assets to meet general obligations during the year ended June 30, 2020.

**NOTE 13 FAIR VALUE MEASUREMENTS**

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participants assumptions based on market data obtained from sources independent of the entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

*Level 1* – quoted prices for identical assets or liabilities in active markets to which the School has access at the measurement date.

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 3* – Unobservable inputs for the asset or liability and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2020 and 2019.

*Mutual Funds:* Valued at the closing price, or net asset value, reported on the active market on which the individual securities are traded.

*Certificates of Deposit:* Valued at cost adjusted for amortization of premium and discount to the maturity date using the level-yield method, which approximates fair value.

**COMMUNITY MONTESSORI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)**

Following is a description of the nature of the categories of mutual funds by major security type:

*Fixed Income Funds:* This asset class is generally comprised of investment options in bonds or debt of a company or governmental entity.

The following tables set forth by level, within the fair value hierarchy, the School's assets at fair value:

	Total	June 30, 2020		
		Level 1	Level 2	Level 3
Mutual Funds:				
MFS Corporate Bond A	\$ 151,484	\$ 151,484	\$ -	\$ -
MFS Diversified Income A	138,617	138,617	-	-
MFS Limited Maturity A	135,768	135,768	-	-
MFS Total Return Bond A	145,149	145,149	-	-
Total Held at Fair Value	571,018	571,018	-	-
Certificates of Deposit	516,051	-	-	-
Total Investment	<u>\$ 1,087,069</u>	<u>\$ 571,018</u>	<u>\$ -</u>	<u>\$ -</u>
	Total	June 30, 2019		
		Level 1	Level 2	Level 3
Mutual Funds:				
MFS Corporate Bond A	\$ 137,585	\$ 137,585	\$ -	\$ -
MFS Diversified Income A	140,451	140,451	-	-
MFS limited Maturity A	131,106	131,106	-	-
MFS Total Return Bond A	134,868	134,868	-	-
Total Held at Fair Value	544,010	544,010	-	-
Certificates of Deposit	507,880	-	-	-
Total Investment	<u>\$ 1,051,890</u>	<u>\$ 544,010</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 14 FUNCTIONAL EXPENSE REPORTING**

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services, management and general, or fundraising according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

**COMMUNITY MONTESSORI, INC.  
OTHER REPORT  
YEAR ENDED JUNE 30, 2020**

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Community Montessori, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.

