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February 23, 2022

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, 2020 to June 30, 2021. 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, 2021 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, 2021 AND 2020



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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 statements of financial position as of June 30, 2021 and 2020, 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 controls 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, 2021 and 2020, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
December 29, 2021

COMMUNITY MONTESSORI, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,740,248	\$ 3,946,022
Investments	1,126,687	1,087,069
Accounts Receivable, Net of Allowance	485,226	10,272
Prepaid Expenses	34,117	33,122
Total Current Assets	5,386,278	5,076,485
PROPERTY AND EQUIPMENT		
Land	150,296	150,296
Buildings and Improvements	12,810,447	11,469,533
Furniture and Equipment	94,421	115,540
Construction in Process	-	782,901
Less: Accumulated Depreciation	(4,119,784)	(3,854,233)
Property and Equipment, Net	8,935,380	8,664,037
Total Assets	\$ 14,321,658	\$ 13,740,522
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 277,227	\$ 268,795
Accounts Payable and Accrued Expenses	445,363	375,757
Deferred Revenue	127,621	152,153
Total Current Liabilities	850,211	796,705
LONG-TERM LIABILITIES		
Loan Payable Under Paycheck Protection Program	-	536,200
Notes Payable, Net of Current Portion	4,751,467	5,028,677
Less: Unamortized Debt Issuance Costs	(41,427)	(44,029)
Total Long-Term Notes Payable, Net of Unamortized Debt Issuance Costs	4,710,040	4,984,648
Total Liabilities	5,560,251	6,317,553
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Without Donor Restrictions	8,759,692	7,390,578
With Donor Restrictions	1,715	32,391
Total Net Assets	8,761,407	7,422,969
Total Liabilities and Net Assets	\$ 14,321,658	\$ 13,740,522

See accompanying Notes to Financial Statements.

COMMUNITY MONTESSORI, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
State Education Support	\$ 3,617,333	\$ -	\$ 3,617,333	\$ 3,696,654	\$ -	\$ 3,696,654
Program Fees	480,291	-	480,291	565,565	-	565,565
Grant Revenue	968,186	-	968,186	504,800	-	504,800
Student Fees	101,830	-	101,830	149,193	-	149,193
Contributions	50,197	1,000	51,197	13,231	32,453	45,684
Fundraising	11,217	-	11,217	26,043	-	26,043
Investment Gain, Net	39,618	-	39,618	35,179	-	35,179
Interest Income	4,580	-	4,580	9,462	-	9,462
Gain on Extinguishment of Payroll Protection Program Loan	536,200	-	536,200	-	-	-
Other	9,779	-	9,779	52,011	-	52,011
Net Assets Released from Restrictions	31,676	(31,676)	-	131,143	(131,143)	-
Total Revenue and Support	<u>5,850,907</u>	<u>(30,676)</u>	<u>5,820,231</u>	<u>5,183,281</u>	<u>(98,690)</u>	<u>5,084,591</u>
EXPENSES						
Program Services	3,841,325	-	3,841,325	3,520,617	-	3,520,617
Management and General	623,613	-	623,613	593,998	-	593,998
Fundraising	16,855	-	16,855	40,586	-	40,586
Total Expenses	<u>4,481,793</u>	<u>-</u>	<u>4,481,793</u>	<u>4,155,201</u>	<u>-</u>	<u>4,155,201</u>
CHANGE IN NET ASSETS	1,369,114	(30,676)	1,338,438	1,028,080	(98,690)	929,390
Net Assets - Beginning of Year	<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>
NET ASSETS - END OF YEAR	<u>\$ 8,759,692</u>	<u>\$ 1,715</u>	<u>\$ 8,761,407</u>	<u>\$ 7,390,578</u>	<u>\$ 32,391</u>	<u>\$ 7,422,969</u>

See accompanying Notes to Financial Statements.

COMMUNITY MONTESSORI, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 2,287,932	\$ 380,809	\$ -	\$ 2,668,741	\$ 2,181,402	\$ 356,871	\$ -	\$ 2,538,273
Employee Benefits	461,977	63,733	-	525,710	425,961	56,723	-	482,684
Staff Development and Recruitment	33,860	-	-	33,860	13,521	-	-	13,521
Professional Services	136,069	17,622	-	153,691	116,952	6,020	-	122,972
Program Expenses	13,660	-	-	13,660	42,207	-	-	42,207
Authorizer Oversight Fees	-	91,514	-	91,514	-	91,457	-	91,457
Dues, Licenses, and Subscriptions	-	17,631	-	17,631	-	15,391	-	15,391
Advertising	-	50	-	50	-	961	-	961
Travel	-	2,621	-	2,621	-	3,308	-	3,308
Information Technology	168,547	-	-	168,547	36,352	-	-	36,352
Minor Equipment	9,335	-	-	9,335	11,212	-	-	11,212
Supplies	79,405	2,879	-	82,284	72,106	3,287	19,155	94,548
Occupancy	182,290	-	-	182,290	160,495	-	-	160,495
Depreciation	307,151	-	-	307,151	290,704	-	-	290,704
Interest	161,099	-	-	161,099	169,705	-	-	169,705
Insurance	-	33,870	-	33,870	-	40,168	-	40,168
Fundraising	-	-	16,855	16,855	-	-	21,431	21,431
Other	-	12,884	-	12,884	-	19,812	-	19,812
Total Functional Expenses	\$ 3,841,325	\$ 623,613	\$ 16,855	\$ 4,481,793	\$ 3,520,617	\$ 593,998	\$ 40,586	\$ 4,155,201

See accompanying Notes to Financial Statements.

COMMUNITY MONTESSORI, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,338,438	\$ 929,390
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	307,151	290,704
Amortization	2,602	2,602
Gain on Investments, Net	(39,618)	(35,179)
Gain on Payroll Protection Program Loan Extinguishment	(536,200)	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(474,954)	3,194
Prepaid Expenses	(995)	28,179
Accounts Payable and Accrued Expenses	69,606	11,035
Deferred Revenue	(24,532)	(9,517)
Net Cash Provided by Operating Activities	641,498	1,220,408
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	-	-
Purchase of Property and Equipment	(20,480)	(78,745)
Construction in Process	(558,014)	(782,901)
Net Cash Used by Investing Activities	(578,494)	(861,646)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loan Payable Under Paycheck Protection Program	-	536,200
Principal Repayment of Notes Payable	(268,778)	(260,171)
Net Cash Provided (Used) by Financing Activities	(268,778)	276,029
NET CHANGE IN CASH AND CASH EQUIVALENTS	(205,774)	634,791
Cash and Cash Equivalents - Beginning of Year	3,946,022	3,311,231
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,740,248	\$ 3,946,022
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 158,497	\$ 167,103

See accompanying Notes to Financial Statements.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 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 2020-2021 School year, the School served approximately 523 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 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, 2021 and 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, 2021, 2020 and 2019, the School has \$127,621, \$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.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$-0- and \$25,031 as of June 30, 2021 and 2020, respectively, relating to program fees.

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.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$10,614 and \$8,012 as of June 30, 2021 and 2020, 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.

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, 2021 and 2020, 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 December 29, 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, 2021 AND 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, 2021. 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>2021</u>	<u>2020</u>
Mutual Funds:		
MFS Corporate Bond A	\$ 155,704	\$ 151,484
MFS Diversified Income A	160,372	138,617
MFS limited Maturity A	138,851	135,768
MFS Total Return Bond A	148,326	145,149
Certificate of Deposit	523,434	516,051
Total	<u>\$ 1,126,687</u>	<u>\$ 1,087,069</u>

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 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, 2021 and 2020.

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.

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.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Total	June 30, 2021		
		Level 1	Level 2	Level 3
Mutual Funds:				
MFS Corporate Bond A	\$ 155,704	\$ 155,704	\$ -	\$ -
MFS Diversified Income A	160,372	160,372	-	-
MFS Limited Maturity A	138,851	138,851	-	-
MFS Total Return Bond A	148,326	148,326	-	-
Total Held at Fair Value	603,253	603,253	-	-
Certificates of Deposit	523,434	-	-	-
Total Investment	<u>\$ 1,126,687</u>	<u>\$ 603,253</u>	<u>\$ -</u>	<u>\$ -</u>
	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>

NOTE 5 NOTES PAYABLE

Notes payable consisted of the following as of June 30:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Note payable to German American Bancorp, payable \$33,498 monthly, including interest at 2.99% per annum, maturing in July 2036.	\$ 4,861,625	\$ 5,112,065
Note payable to German American Bancorp. payable \$2,108 monthly, including interest at 3.88% per annum, maturing in July 2036.	167,069	185,407
Total	5,028,694	5,297,472
Less: Current Portion	(277,227)	(268,795)
Long-Term Portion	<u>\$ 4,751,467</u>	<u>\$ 5,028,677</u>

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 NOTES PAYABLE (CONTINUED)

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>
2022	\$ 277,227
2023	288,134
2024	297,047
2025	306,238
2026	380,184
Thereafter	3,479,864
Total	<u>\$ 5,028,694</u>

NOTE 6 DEBT EXTINGUISHMENT

In April 2020, the School received proceeds in the amount of \$536,200 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The PPP Loan was formally forgiven by the U.S. Small Business Administration (SBA) on November 2, 2020. Accordingly, the School recognized a gain on the extinguishment of debt of \$536,200 during the year ended June 30, 2021. This amount is included in the 2021 statement of activities as Gain on Extinguishment of Payroll Protection Program Loan.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

NOTE 7 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:

	<u>2021</u>	<u>2020</u>
Casa dei Curiosities Capital Projects	\$ -	\$ 27,818
Scholarships	1,715	3,575
Teen Support Group	-	998
Total	<u>\$ 1,715</u>	<u>\$ 32,391</u>

During 2021 and 2020, net assets of \$31,676 and \$131,143, respectively, were released from restriction by incurring expenses satisfying the restricted purposes or due to the passage of time.

**COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 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 \$91,514 and \$91,457 for the years ended June 30, 2021 and 2020, respectively.

NOTE 9 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, 2021 and 2020 were \$13,310 and \$18,730, respectively.

NOTE 10 LEASES

The School leases equipment under operating lease agreements that expire in 2021. Expense under these operating leases was \$4,165 and \$4,289 for the years ended June 30, 2021 and 2020, 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>
2022	\$ 3,178
2023	3,024
2024	3,024
2025	3,024
2026	3,024
Thereafter	1,260
Total	<u><u>\$ 16,534</u></u>

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 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, 2021 and 2020, the School contributed 5.5%, 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, 2020 (the latest year reported), TRF was approximately 90% 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 \$35,008 and \$34,391 for the years ended June 30, 2021 and 2020, respectively.

NOTE 12 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 2021 and 2020 operations and financial results, including an increased demand for virtual learning options. Management believes 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.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 13 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2021 and 2020 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.

	2021	2020
Financial Assets	\$ 5,352,161	\$ 5,043,363
Less: Those Unavailable for General Expenditures Within One Year, Due to:		
Restrictions by Donor with Time or Purpose	(1,715)	(32,391)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 5,350,446	\$ 5,010,972

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 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, 2021**

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*.

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