

ABINTRA MONTESSORI SCHOOL  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT  
JUNE 30, 2021 AND 2020

ABINTRA MONTESSORI SCHOOL  
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INDEPENDENT ACCOUNTANT’S COMPILATION REPORT  
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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Trustees of Abintra Montessori School  
Nashville, Tennessee

Management is responsible for the accompanying financial statements of Abintra Montessori School (the "School"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

*KraftCPAs PLLC*

Nashville, Tennessee  
December 8, 2021

ABINTRA MONTESSORI SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

ASSETS

|  | <u>2021</u>             | <u>2020</u>             |
|--|-------------------------|-------------------------|
| Cash                                       | \$ 893,012              | \$ 766,269              |
| Tuition and fees receivable, net           | 1,080,103               | 1,085,100               |
| Prepaid expenses                           | 5,127                   | 20,515                  |
| Board-designated endowment assets:         |                         |                         |
| Cash                                       | 117,617                 | 213,915                 |
| Investments                                | 682,142                 | 539,321                 |
| Assets held for deferred compensation plan | 535,700                 | 395,805                 |
| Property and equipment, net                | <u>1,844,700</u>        | <u>1,963,020</u>        |
| <br>TOTAL ASSETS                           | <br><u>\$ 5,158,401</u> | <br><u>\$ 4,983,945</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

|                              |                      |                      |
|------------------------------|----------------------|----------------------|
| Accrued payroll and expenses | \$ 5,858             | \$ 38,784            |
| Deferred revenue             | 1,533,810            | 1,362,698            |
| Deferred compensation        | 535,700              | 395,805              |
| Notes payable                | <u>397,004</u>       | <u>521,747</u>       |
| <br>TOTAL LIABILITIES        | <br><u>2,472,372</u> | <br><u>2,319,034</u> |

NET ASSETS

|  |                         |                         |
|--|-------------------------|-------------------------|
| Without donor restrictions - undesignated                    | 1,886,270               | 1,911,675               |
| Without donor restrictions - board-designated endowment fund | <u>799,759</u>          | <u>753,236</u>          |
| <br>TOTAL NET ASSETS   | <br><u>2,686,029</u>    | <br><u>2,664,911</u>    |
| <br>TOTAL LIABILITIES AND NET ASSETS                         | <br><u>\$ 5,158,401</u> | <br><u>\$ 4,983,945</u> |

See accompanying notes to financial statements.

ABINTRA MONTESSORI SCHOOL

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

|  | <u>2021</u>             | <u>2020</u>             |
|--|-------------------------|-------------------------|
| REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS              |                         |                         |
| Revenues and support:  |                         |                         |
| Tuition and fees, net  | \$ 1,428,617            | \$ 1,739,734            |
| Auxiliary programs   | 69,256                  | 93,596                  |
| Contributions  | 30,650                  | 51,023                  |
| Investment (loss) income, net                                | 53,600                  | (3,892)                 |
| Gain on forgiveness of Paycheck Protection Program Loan      | 246,820                 | -                       |
| Loss on disposition of property and equipment                | -                       | (5,094)                 |
| Other revenues   | <u>13,547</u>           | <u>3,859</u>            |
| <br>TOTAL REVENUES AND SUPPORT WITHOUT<br>DONOR RESTRICTIONS | <br><u>1,842,490</u>    | <br><u>1,879,226</u>    |
| <br>EXPENSES   |                         |                         |
| Program services:  |                         |                         |
| Academic program   | 1,509,900               | 1,674,197               |
| Auxiliary programs   | <u>54,470</u>           | <u>63,467</u>           |
| <br>Total program services                                   | <br><u>1,564,370</u>    | <br><u>1,737,664</u>    |
| <br>Supporting services:                                     |                         |                         |
| General and administrative                                   | 253,658                 | 276,981                 |
| Fundraising  | <u>3,344</u>            | <u>2,326</u>            |
| <br>Total supporting services                                | <br><u>257,002</u>      | <br><u>279,307</u>      |
| <br>TOTAL EXPENSES   | <br><u>1,821,372</u>    | <br><u>2,016,971</u>    |
| <br>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS          | <br>21,118              | <br>(137,745)           |
| <br>NET ASSETS - BEGINNING OF YEAR                           | <br><u>2,664,911</u>    | <br><u>2,802,656</u>    |
| <br>NET ASSETS - END OF YEAR                                 | <br><u>\$ 2,686,029</u> | <br><u>\$ 2,664,911</u> |

See accompanying notes to financial statements.

ABINTRA MONTESSORI SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

|                                     | <u>Program Services</u> |                  | <u>Total</u>        | <u>General</u>        |                    |                     |
|-------------------------------------|-------------------------|------------------|---------------------|-----------------------|--------------------|---------------------|
|                                     | <u>Academic</u>         | <u>Auxiliary</u> | <u>Program</u>      | <u>and</u>            | <u>Fundraising</u> | <u>Total</u>        |
|                                     | <u>Program</u>          | <u>Programs</u>  | <u>Services</u>     | <u>Administrative</u> |                    |                     |
| Salaries and wages                  | \$ 936,020              | \$ 22,555        | \$ 958,575          | \$ 169,160            | \$ -               | \$ 1,127,735        |
| Payroll taxes and employee benefits | 228,592                 | 2,598            | 231,190             | 28,574                | -                  | 259,764             |
| Professional fees                   | -                       | -                | -                   | 33,962                | -                  | 33,962              |
| Equipment rent                      | 3,329                   | 1,332            | 4,661               | 1,331                 | 666                | 6,658               |
| Utilities                           | 52,966                  | 9,931            | 62,897              | 3,311                 | -                  | 66,208              |
| Repairs and maintenance             | 61,840                  | 3,325            | 65,165              | 1,330                 | -                  | 66,495              |
| Supplies                            | 37,688                  | 4,711            | 42,399              | 4,711                 | -                  | 47,110              |
| Insurance                           | 23,547                  | 1,280            | 24,827              | 768                   | -                  | 25,595              |
| Professional development            | 12,123                  | -                | 12,123              | -                     | -                  | 12,123              |
| Postage                             | -                       | -                | -                   | 724                   | -                  | 724                 |
| Advertising                         | -                       | -                | -                   | 2,020                 | -                  | 2,020               |
| Interest expense                    | 11,988                  | 782              | 12,770              | 260                   | -                  | 13,030              |
| Bank and credit card fees           | 3,860                   | 772              | 4,632               | 257                   | 257                | 5,146               |
| Event expenses                      | 453                     | -                | 453                 | -                     | 1,358              | 1,811               |
| Association and license fees        | -                       | -                | -                   | 2,347                 | -                  | 2,347               |
| Board expenses                      | 4,254                   | -                | 4,254               | -                     | 1,063              | 5,317               |
| Other expenses                      | 1,055                   | -                | 1,055               | 593                   | -                  | 1,648               |
| Depreciation                        | 132,185                 | 7,184            | 139,369             | 4,310                 | -                  | 143,679             |
|                                     | <u>\$ 1,509,900</u>     | <u>\$ 54,470</u> | <u>\$ 1,564,370</u> | <u>\$ 253,658</u>     | <u>\$ 3,344</u>    | <u>\$ 1,821,372</u> |

See accompanying notes to financial statements.

ABINTRA MONTESSORI SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

|                                     | <u>Program Services</u> |                  | <u>Total</u>        | <u>General</u>        |                    |                     |
|-------------------------------------|-------------------------|------------------|---------------------|-----------------------|--------------------|---------------------|
|                                     | <u>Academic</u>         | <u>Auxiliary</u> | <u>Program</u>      | <u>and</u>            | <u>Fundraising</u> | <u>Total</u>        |
|                                     | <u>Program</u>          | <u>Programs</u>  | <u>Services</u>     | <u>Administrative</u> |                    |                     |
| Salaries and wages                  | \$ 990,536              | \$ 23,868        | \$ 1,014,404        | \$ 179,013            | \$ -               | \$ 1,193,417        |
| Payroll taxes and employee benefits | 279,061                 | 3,171            | 282,232             | 34,883                | -                  | 317,115             |
| Professional fees                   | -                       | -                | -                   | 32,953                | -                  | 32,953              |
| Equipment rent                      | 3,435                   | 1,374            | 4,809               | 1,374                 | 687                | 6,870               |
| Utilities                           | 44,357                  | 8,317            | 52,674              | 2,772                 | -                  | 55,446              |
| Repairs and maintenance             | 97,015                  | 5,216            | 102,231             | 2,086                 | -                  | 104,317             |
| Supplies                            | 46,416                  | 5,801            | 52,217              | 5,802                 | -                  | 58,019              |
| Insurance                           | 24,892                  | 1,353            | 26,245              | 812                   | -                  | 27,057              |
| Professional development            | 8,436                   | -                | 8,436               | -                     | -                  | 8,436               |
| Postage                             | -                       | -                | -                   | 843                   | -                  | 843                 |
| Advertising                         | -                       | -                | -                   | 9,548                 | -                  | 9,548               |
| Interest expense                    | 16,407                  | 1,070            | 17,477              | 357                   | -                  | 17,834              |
| Bank and credit card fees           | 4,253                   | 852              | 5,105               | 284                   | 283                | 5,672               |
| Event expenses                      | 212                     | -                | 212                 | -                     | 637                | 849                 |
| Association and license fees        | -                       | -                | -                   | 1,706                 | -                  | 1,706               |
| Board expenses                      | 2,877                   | -                | 2,877               | -                     | 719                | 3,596               |
| Bad debt expense                    | 20,250                  | 5,063            | 25,313              | -                     | -                  | 25,313              |
| Other expenses                      | 218                     | -                | 218                 | 119                   | -                  | 337                 |
| Depreciation                        | 135,832                 | 7,382            | 143,214             | 4,429                 | -                  | 147,643             |
|                                     | <u>\$ 1,674,197</u>     | <u>\$ 63,467</u> | <u>\$ 1,737,664</u> | <u>\$ 276,981</u>     | <u>\$ 2,326</u>    | <u>\$ 2,016,971</u> |

See accompanying notes to financial statements.

ABINTRA MONTESSORI SCHOOL

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

|  | <u>2021</u>         | <u>2020</u>       |
|--|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |                     |                   |
| Change in net assets   | \$ 21,118           | \$ (137,745)      |
| Adjustments to reconcile change in net assets to<br>net cash (used in) provided by operating activities: |                     |                   |
| Depreciation   | 143,679             | 147,644           |
| Loss on disposition of property and equipment  | -                   | 5,094             |
| Bad debt expense   | -                   | 25,313            |
| Net realized and unrealized (gains) losses on investments  | (40,785)            | 25,779            |
| Forgiveness of Paycheck Protection Program Loan  | (246,820)           | -                 |
| (Increase) decrease in:  |                     |                   |
| Tuition and fees receivable  | 4,997               | 155,589           |
| Prepaid expenses   | 15,388              | (7,136)           |
| Increase (decrease) in:  |                     |                   |
| Accrued payroll and expenses   | (32,926)            | (1,075)           |
| Deferred revenue   | <u>171,112</u>      | <u>(318,220)</u>  |
| TOTAL ADJUSTMENTS  | <u>14,645</u>       | <u>32,988</u>     |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES  | <u>35,763</u>       | <u>(104,757)</u>  |
| CASH FLOWS FROM INVESTING ACTIVITIES   |                     |                   |
| Proceeds from sale of property and equipment   | -                   | 4,500             |
| Acquisition of property and equipment  | (25,359)            | (9,267)           |
| Proceeds from sale of investments  | 406,820             | 689,866           |
| Purchase of investments  | <u>(508,856)</u>    | <u>(495,940)</u>  |
| NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES  | <u>(127,395)</u>    | <u>189,159</u>    |
| CASH FLOWS FROM FINANCING ACTIVITIES   |                     |                   |
| Proceeds from Paycheck Protection Program Loan   | 246,820             | 246,820           |
| Principal payments on note payable   | <u>(124,743)</u>    | <u>(119,775)</u>  |
| NET CASH PROVIDED BY FINANCING ACTIVITIES  | <u>122,077</u>      | <u>127,045</u>    |
| NET INCREASE IN CASH   | 30,445              | 211,447           |
| CASH - BEGINNING OF YEAR   | <u>980,184</u>      | <u>768,737</u>    |
| CASH - END OF YEAR   | <u>\$ 1,010,629</u> | <u>\$ 980,184</u> |
| SUPPLEMENTAL CASH FLOW DISCLOSURE:   |                     |                   |
| Interest paid  | <u>\$ 13,030</u>    | <u>\$ 17,834</u>  |

See accompanying notes to financial statements.



ABINTRA MONTESSORI SCHOOL  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 1 - GENERAL

Abintra Montessori School (the "School") is a Tennessee not-for-profit organization incorporated on August 5, 1980. The School is an independent, nonprofit school providing a quality education for children in the Nashville area, serving children ages two-and-a-half to fourteen years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of the School on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Resources are classified as net assets without donor restrictions and net assets with donor restrictions, based on the existence or absence of donor-imposed restrictions, as follows:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School. These net assets may be used at the discretion of the School's management and the board of trustees. The board and the School's management has designated, from net assets without donor restrictions, net assets for an endowment for the School.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

The School had no net assets with donor restrictions as of June 30, 2021 or 2020.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Support

Revenue is recognized when earned. Contributions are recognized when cash, securities, other assets or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome. The School did not receive any conditional promises to give in the years ended June 30, 2021 and 2020.

Donated equipment is reflected as a contribution in the accompanying financial statements at the estimated value at the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. The School generally pays for services requiring specific expertise. Volunteers also provided their time to perform a variety of tasks that assist the School that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Contributed investments are recorded as contributions at their fair market value on the date of the donation.

Cash

The following table provides a reconciliation of cash and board designated cash reported within the statement of financial position that sum to the total in the statement of cash flows as of June 30:

|                                   | <u>2021</u>         | <u>2020</u>       |
|-----------------------------------|---------------------|-------------------|
| Cash                              | \$ 893,012          | \$ 766,269        |
| Board-designated endowment - cash | <u>117,617</u>      | <u>213,915</u>    |
|                                   | <u>\$ 1,010,629</u> | <u>\$ 980,184</u> |

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition and Fees Receivable

Tuition and fees receivable represent tuition and fees that are collectible under signed, noncancelable enrollment contracts. Certain contracts call for payments to be made at specified dates and all are expected to be collected within one year. An allowance for doubtful accounts is provided based on management's estimate of uncollectible tuition and historical trends. Tuition and fees receivable are written off when deemed uncollectible. Management estimated the allowance for doubtful accounts to be \$15,000 and \$15,000 at June 30, 2021 and 2020, respectively.

Deferred Revenue

Deferred revenue results from the School recognizing tuition revenue in the period in which the related educational instruction is performed, which fulfills the School's performance obligation. Accordingly, the enrollment deposit and any tuition fees received or receivable (based on signed, noncancelable enrollment contracts) for the next school term are deferred until the start of the fiscal year during which instruction occurs. Deferred revenues are recognized throughout the academic year based on the period that the educational instruction is performed.

Property and Equipment

Property and equipment are reported at cost at the date of purchase or at estimated fair value at date of gift to the School. The School's policy is to capitalize purchases and or improvements with a cost of \$500 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from five to thirty years for buildings, grounds and improvements, three to fifteen years for equipment and furnishings, five years for vehicles, and three to seven years for educational materials.

Tuition, Financial Aid Scholarships and Tuition Remission

Gross tuition and fees reflect the School's normal tuition rates for all students. Expenses for scholarships given on the basis of financial need are netted against gross tuition and fees in the statements of activities. Financial aid scholarships awarded were \$47,685 and \$40,000 for the years ending June 30, 2021 and 2020 respectively.

Dependents of the School's qualifying employees receive 50% remission applied to normal tuition rates owed, which is included in payroll taxes and employee benefits on the statements of functional expenses. Tuition remission totaled \$61,369 and \$61,616 for the years ending June 30, 2021 and 2020, respectively.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income is reported net of investment fees.

Income Taxes

The School qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

The School files U.S. Federal Form 990 for organizations exempt from income tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the School's income tax return to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there were no provisions for income taxes, penalties, or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Fair Value Measurements

The School classifies its investments based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market, but for which observable market inputs are readily available), and Level 3 (securities valued based on significant, unobservable inputs).

An asset's 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 maximize the use of observable inputs and minimize the use of unobservable inputs.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

*Equities and Real Estate Investment Trusts* - Determined by reference to quoted market prices and other relevant information generated by market transactions and classified within Level 1.

*Brokered Certificates of Deposit* - Valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions and classified within Level 2.

No changes in the valuation methodologies have been made since the prior year.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methodologies are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Endowment Funds

The School has funds designated by the Board to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment funds required to be maintained in perpetuity are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act ("SUPMIFA"). There are no endowment funds required to be maintained in perpetuity held by the School as of June 30, 2021 or 2020.

*Endowment Investment Return Objective, Parameters and Strategies*

The School is committed to an investment policy for its endowment and cash funds which is both enduring and flexible. The School seeks a balance in the management of the funds that will help support its current spending needs and which will ensure future funds will exist to help support future spending needs. In practical terms, this implies that the funds, at a minimum, must grow by an amount equal to the rate of inflation plus the amount the School has budgeted to help support the current spending needs. With respect to short-term cash funds, the School intends to maximize the return of short-term funds in excess of operating requirements, while at the same time minimizing risk and assuring the safety of principal.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Endowment Investment Return Objective, Parameters and Strategies (Continued)*

While the School desires as little volatility in the returns of the funds as possible, it recognizes that some volatility is unavoidable to meet its investment objectives over time. The funds must be invested in assets that will grow in value, such as equity securities, and in assets that will produce stable income, such as fixed-income securities. The School expects investments in equity securities to have greater volatility than fixed-income securities. The funds will be invested in a balance of equity and fixed-income securities. The account shall be considered a balance account containing both debt and equity securities, and managed for "total return," a combination of both growth and income.

*Endowment Spending Policy*

Investment earnings from the endowment fund, if not appropriated for expenditure, are generally reinvested in endowment fund assets.

Program and Supporting Services

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

Program Services - includes the costs incurred to provide students with academic instruction and auxiliary programs, including extended care, afterschool and summer programs and parent education.

Supporting Services:

*Management and General* - relates to the overall direction of the organization. These expenses are not identifiable with a particular program but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, investment management and other administrative activities.

*Fundraising* - includes costs of activities directed toward appeals for financial support, including special events. Other activities include creation and distribution of fundraising materials.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The School expenses advertising costs as they are incurred.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program, supporting service, or activity based on objectively evaluated financial and nonfinancial data or reasonable, subjective methods determined by management. The expenses that are allocated include salaries and wages, payroll taxes and employee benefits and repairs and maintenance, which are allocated based on estimated time expended on those resources, and insurance, interest expense and depreciation, which are allocated based on estimates of related use of the property.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

On July 1, 2020, the School adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all subsequent amendments to the ASU (collectively, "ASC 606"), which supersedes most of existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the considerations to which the entity expects to be entitled in an exchange of goods or services. The School adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of July 1, 2020. The Organization performed an analysis of revenue streams and transactions to determine in-scope applicability. The revenue streams considered in-scope for purposes of ASC 606 include tuition and fees. The School recognizes revenues that fall within the scope of ASC 606 as it satisfies its obligation to the customer. The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, the School did not record a cumulative effect adjustment.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance

In September 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Organization beginning on July 1, 2021. The School is currently evaluating the impact of this new guidance on its financial statements.

Events Occurring After Reporting Date

The School has evaluated events and transactions that occurred between June 30, 2021 and December 8, 2021, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - LIQUIDITY

The School regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The School has various sources of liquidity at its disposal, including cash, tuition and fees receivable and investments.

For the purposes of analyzing resources available to meet general expenditures over a twelve-month period, the School considers all expenditures related to its ongoing instructional and student activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.



ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 3 - LIQUIDITY (CONTINUED)

The following table shows the total financial assets held by the School and the amounts of those financial assets not available to be used for general expenditures within one year:

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| Financial assets at year end:  |                     |                     |
| Cash   | \$ 1,010,629        | \$ 980,184          |
| Tuition and fees receivable, net   | 1,080,103           | 1,085,100           |
| Investments  | <u>682,142</u>      | <u>539,321</u>      |
| Total financial assets   | <u>2,772,874</u>    | <u>2,604,605</u>    |
| Less amounts not available to be used within one year:                                 |                     |                     |
| Board-designated endowment funds:  |                     |                     |
| Cash   | 117,617             | 213,915             |
| Investments  | <u>682,142</u>      | <u>539,321</u>      |
|  | <u>799,759</u>      | <u>753,236</u>      |
| Financial assets available to meet general expenditures<br>over the next twelve months | <u>\$ 1,973,115</u> | <u>\$ 1,851,369</u> |

Board-designated endowment funds can be made available for general expenditures at the discretion of the School's Board of Trustees.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

The School maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The School's cash balances may at times exceed statutory limits. The School has not experienced any losses in such accounts and management considers this to be a normal business risk.

The School also maintains investment balances with a brokerage and investment company. These investments consist of certificates of deposit and various equities. Generally, they are not insured by the FDIC or any other government agency and are subject to investment risk, including the risk of loss of principal. Investors are provided limited protection by the Securities Investor Protection Corporation ("SIPC"), a nonprofit membership corporation funded by its member securities broker dealers. SIPC covers investor losses, in some cases, attributable to bankruptcy or fraudulent practices of brokerage firms up to \$500,000 per broker (including \$250,000 of cash).

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, is as follows:

|                                     | <u>2021</u>                | <u>2020</u>                |
|-------------------------------------|----------------------------|----------------------------|
| Land                                | \$ 821,585                 | \$ 821,585                 |
| Buildings, grounds and improvements | 3,396,659                  | 3,396,659                  |
| Equipment and furnishings           | 389,087                    | 367,626                    |
| Vehicles                            | 68,648                     | 94,597                     |
| Educational materials               | <u>125,982</u>             | <u>125,982</u>             |
| Total property and equipment        | 4,801,961                  | 4,806,449                  |
| Less: accumulated depreciation      | <u>(2,957,261)</u>         | <u>(2,843,429)</u>         |
| Net property and equipment          | <u><u>\$ 1,844,700</u></u> | <u><u>\$ 1,963,020</u></u> |

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 6 - INVESTMENTS

Investments consisted of the following at June 30:

|                                  | <u>2021</u>       | <u>2020</u>       |
|----------------------------------|-------------------|-------------------|
| Brokered certificates of deposit | \$ 450,000        | \$ 351,258        |
| Equities                         | 222,170           | 188,063           |
| Real estate investment trusts    | <u>9,972</u>      | <u>-</u>          |
| Total                            | <u>\$ 682,142</u> | <u>\$ 539,321</u> |

NOTE 7 - BOARD-DESIGNATED ENDOWMENT

A summary of activity involving the board-designated endowment assets for the years ended June 30 is as follows:

|  | <u>2021</u>       | <u>2020</u>       |
|--|-------------------|-------------------|
| Endowment assets - beginning           | \$ 753,236        | \$ 776,844        |
| Interest and dividends                 | 17,467            | 28,342            |
| Investment fees                        | (4,652)           | (6,455)           |
| Realized and unrealized (losses) gains | 40,785            | (25,779)          |
| Appropriation for operations           | <u>(7,077)</u>    | <u>(19,716)</u>   |
| Total endowment assets                 | <u>\$ 799,759</u> | <u>\$ 753,236</u> |

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 8 - FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the School's assets at fair value as of June 30:

| 2021                             |                   |                   |             |                   |
|----------------------------------|-------------------|-------------------|-------------|-------------------|
|                                  | Level 1           | Level 2           | Level 3     | Total             |
| <u>Financial assets:</u>         |                   |                   |             |                   |
| Brokered certificates of deposit | \$ -              | \$ 450,000        | \$ -        | \$ 450,000        |
| <u>Equities:</u>                 |                   |                   |             |                   |
| Basic industries                 | 8,132             | -                 | -           | 8,132             |
| Consumer goods and services      | 33,650            | -                 | -           | 33,650            |
| Energy                           | 33,954            | -                 | -           | 33,954            |
| Finance                          | 24,719            | -                 | -           | 24,719            |
| Healthcare                       | 45,406            | -                 | -           | 45,406            |
| Technology                       | 8,903             | -                 | -           | 8,903             |
| Utilities                        | 67,406            | -                 | -           | 67,406            |
| Real estate investment trusts    | 9,972             | -                 | -           | 9,972             |
| Total financial assets           | <u>\$ 232,142</u> | <u>\$ 450,000</u> | <u>\$ -</u> | <u>\$ 682,142</u> |
|                                  |                   |                   |             |                   |
| 2020                             |                   |                   |             |                   |
|                                  | Level 1           | Level 2           | Level 3     | Total             |
| <u>Financial assets:</u>         |                   |                   |             |                   |
| Brokered certificates of deposit | \$ -              | \$ 351,258        | \$ -        | \$ 351,258        |
| <u>Equities:</u>                 |                   |                   |             |                   |
| Basic industries                 | 5,324             | -                 | -           | 5,324             |
| Consumer goods and services      | 24,332            | -                 | -           | 24,332            |
| Energy                           | 22,565            | -                 | -           | 22,565            |
| Finance                          | 16,841            | -                 | -           | 16,841            |
| Healthcare                       | 35,234            | -                 | -           | 35,234            |
| Technology                       | 10,712            | -                 | -           | 10,712            |
| Transportation                   | 7,560             | -                 | -           | 7,560             |
| Utilities                        | 65,495            | -                 | -           | 65,495            |
| Total financial assets           | <u>\$ 188,063</u> | <u>\$ 351,258</u> | <u>\$ -</u> | <u>\$ 539,321</u> |

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - NOTES PAYABLE

Notes payable consist of the following at June 30:

|   | <u>2021</u>       | <u>2020</u>       |
|---|-------------------|-------------------|
| Mortgage note payable - principal and interest at 3.99%, due in monthly installments of \$11,130, with final payment of remaining principal balance due November 2027, secured by deed of trust on real estate with a carrying value of \$1,677,211 | \$ 150,184        | \$ 274,927        |
| Paycheck Protection Program unsecured note payable - requiring monthly principal and interest payments beginning after the ten-month forgiveness application period expires. The loan bore interest at 1% and was fully forgiven during 2021.       | -                 | 246,820           |
| Paycheck Protection Program unsecured note payable - requiring monthly principal and interest payments beginning after the ten-month forgiveness application period expires. The loan bears interest at 1% and matures                              | <u>246,820</u>    | <u>-</u>          |
|   | <u>\$ 397,004</u> | <u>\$ 521,747</u> |

The School entered into a Paycheck Protection Program note payable for \$246,820 in April 2020, which was fully forgivable if at least 60% of the funds are used for payroll costs, and if certain other terms are met. The loan bore interest at a fixed rate of 1% and was set to mature in April 2022. The loan was fully forgiven in January 2021.

The School entered into a second Paycheck Protection Program note payable for \$246,820 in January 2021, which was fully forgivable if at least 60% of the funds are used for payroll costs, and if certain other terms are met. The loan bore interest at a fixed rate of 1% and was set to mature in in January 2026. The loan was fully forgiven in August 2021.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - NOTES PAYABLE (CONTINUED)

The School has made prepayments on the mortgage note. The following is a summary by year of the principal maturities of the notes payable, excluding the Paycheck Protection Program note, as of June 30, 2021:

Year ended June 30:

|      |                          |
|------|--------------------------|
| 2022 | \$ 129,990               |
| 2023 | <u>20,194</u>            |
|      | <u><u>\$ 150,184</u></u> |

Interest expense on the notes payable for the years ended June 30, 2021 and 2020 amounted to \$13,030 and \$17,834, respectively.

NOTE 10 - CONTRACT BALANCES

Accounts receivable and deferred revenue from contracts with customers consisted of the following as of June 30:

|                   | <u>Tuition and fees receivable</u> |                     | <u>Deferred revenue</u> |                     |
|-------------------|------------------------------------|---------------------|-------------------------|---------------------|
|                   | <u>2021</u>                        | <u>2020</u>         | <u>2021</u>             | <u>2020</u>         |
| Beginning of year | <u>\$ 1,085,100</u>                | <u>\$ 1,266,002</u> | <u>\$ 1,362,698</u>     | <u>\$ 1,680,918</u> |
| End of year       | <u>\$ 1,080,103</u>                | <u>\$ 1,085,100</u> | <u>\$ 1,533,810</u>     | <u>\$ 1,362,698</u> |

Deferred revenues recognized as tuition and fees during the years ended June 30, 2021 and 2020 were \$1,362,698 and \$1,680,918, respectively.

NOTE 11 - RETIREMENT PLAN

The School sponsors a Section 403(b) retirement plan. The plan allows employees to make voluntary contributions, subject to certain limitations under the Internal Revenue Code. The plan provides for matching contributions for each employee deferral contribution, subject to limitations. Total contributions by the School to the plan amounted to \$24,685 and \$24,511 for the years ended June 30, 2021 and 2020, respectively.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

(SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - DEFERRED COMPENSATION PLAN

The School provides a deferred compensation plan to its Executive Director which provides for payment of benefits upon retirement. The plan allows voluntary contributions, subject to certain limitations under the Internal Revenue Code. The plan provides for employer non-elective contributions to the plan. In 2020, there was an \$18,000 contribution to the plan by the School. There was no contribution in 2021. Total assets held under the deferred compensation plan, as well as the corresponding liability were \$535,700 and \$395,805 as of June 30, 2021 and 2020, respectively.

NOTE 13 - COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the School operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the School, to date, the School is experiencing increased volatility in the fair value of investments. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions. The School's leadership team is evaluating the evolving situation and will implement appropriate countermeasures as determined to be appropriate.