

**MONTESSORI CHILDREN'S CENTER, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JULY 31, 2022 AND 2021**



**MONTESSORI CHILDREN'S CENTER, INC.**

**Table of Contents**

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	<u>Page No.</u>
Independent Accountant's Review Report .....	1
Statements of Financial Position .....	2
Statements of Activities and Changes in Net Assets .....	3
Statements of Functional Expenses .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6 - 10



## **Independent Accountant's Review Report**

To the Board of Trustees  
Montessori Children's Center, Inc.  
Clemmons, North Carolina

We have reviewed the accompanying financial statements of Montessori Children's Center, Inc. (a non-profit organization) (the "Organization") which comprise the statements of financial position as of July 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
November 10, 2022

**MONTESSORI CHILDREN'S CENTER, INC.**  
**Statements of Financial Position**  
**July 31, 2022 and 2021**

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	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash and cash equivalents	\$ 821,281	\$ 1,071,815
Accounts receivable - tuition, net	1,745,861	1,553,200
Sales tax refund receivable	3,995	6,557
Prepaid expenses	75,011	9,736
Total Current Assets	<u>2,646,148</u>	<u>2,641,308</u>
Property and Equipment:		
Land	436,221	436,221
Land improvements	627,406	628,313
Buildings - Holder Road	4,570,526	4,569,315
Furniture and fixtures	189,384	259,152
Office equipment	388,388	344,663
Montessori curriculum materials	44,353	94,123
Playground equipment	144,846	157,416
Vehicles	99,786	99,786
Construction in progress	7,195	7,578
	<u>6,508,105</u>	<u>6,596,567</u>
Less accumulated depreciation	<u>2,263,167</u>	<u>2,236,434</u>
	<u>4,244,938</u>	<u>4,360,133</u>
 Total Assets	 <u>\$ 6,891,086</u>	 <u>\$ 7,001,441</u>

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**Liabilities and Net Assets**

	<u>2022</u>	<u>2021</u>
Current Liabilities:		
Accounts payable	\$ 30,905	\$ 41,169
Bonds payable, current portion	78,681	75,601
Capital lease, current portion	8,159	4,304
Accrued payroll	92,992	85,191
Other accrued expenses	4,689	-
Deferred tuition, net	2,499,690	2,453,451
Refundable advance - PPP	-	341,985
Total Current Liabilities	<u>2,715,116</u>	<u>3,001,701</u>
Noncurrent Liabilities:		
Capital lease, less current portion	44,125	2,387
Bonds payable, less current portion	2,281,420	2,353,872
	<u>2,325,545</u>	<u>2,356,259</u>
Total Liabilities	<u>5,040,661</u>	<u>5,357,960</u>
Net Assets Without Donor Restrictions:		
Net assets without donor restrictions	1,726,192	1,519,536
Board designated	124,233	123,945
Total Net Assets without Donor Restrictions	<u>1,850,425</u>	<u>1,643,481</u>
Total Liabilities and Net Assets	<u>\$ 6,891,086</u>	<u>\$ 7,001,441</u>

**MONTESSORI CHILDREN'S CENTER, INC.**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended July 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Revenue and Other Support:		
Tuition, net	\$ 2,860,281	\$ 2,164,266
Enrollment fees	23,373	30,645
Fundraising	89,045	69,060
Interest income	388	237
Contributions	3,400	-
Miscellaneous income	17,114	33,886
Total revenue and other support	<u>2,993,601</u>	<u>2,298,094</u>
Expenses:		
Program services	2,119,846	1,757,791
General and support services	961,897	656,463
Fundraising	2,761	6,862
Total expenses	<u>3,084,504</u>	<u>2,421,116</u>
Other income and (expenses):		
Paycheck protection program loan forgiveness	341,985	-
Bond interest expense	(38,999)	(37,830)
Letter of credit expense	(758)	(777)
Loss on disposal of fixed assets	(4,381)	(2,655)
Total other income and (expenses)	<u>297,847</u>	<u>(41,262)</u>
Changes in net assets	206,944	(164,284)
Net assets, beginning	<u>1,643,481</u>	<u>1,807,765</u>
Net assets, ending	<u>\$ 1,850,425</u>	<u>\$ 1,643,481</u>

**MONTESSORI CHILDREN'S CENTER, INC.**

**Statements of Functional Expenses**

**Years Ended July 31, 2022 and 2021**

	2022				2021			
	Program	General and Support	Fundraising	Total	Program	General and Support	Fundraising	Total
Salaries and wages	\$1,353,783	\$ 561,605	\$ -	\$1,915,388	\$1,076,734	\$ 415,920	\$ -	\$1,492,654
Payroll expenses	79,651	58,837	-	138,488	68,940	45,552	-	114,492
Casual labor specialists	340	-	-	340	-	-	-	-
Insurance	2,284	35,076	-	37,360	2,937	24,160	-	27,097
Benefits	128,208	90,892	-	219,100	89,282	56,195	-	145,477
Classroom materials	46,057	-	-	46,057	53,671	-	-	53,671
Office supplies	5,922	983	-	6,905	9,395	1,194	-	10,589
Bank and payment processing fees	-	19,711	-	19,711	-	14,209	-	14,209
Telephone	-	12,281	-	12,281	-	9,812	-	9,812
Housekeeping	71,736	2,989	-	74,725	77,861	3,244	-	81,105
Summer programs	1,901	-	-	1,901	779	-	-	779
Board expenses	-	5,628	-	5,628	-	2,833	-	2,833
Dues and subscriptions	11,067	-	-	11,067	16,272	-	-	16,272
Field trip/curriculum	44,523	-	-	44,523	19,340	-	-	19,340
Training and seminar	28,318	-	-	28,318	19,035	-	-	19,035
Information technology	-	17,640	-	17,640	-	19,917	-	19,917
Professional fees	-	105,560	-	105,560	-	13,885	-	13,885
Repairs and maintenance	60,283	2,512	-	62,795	71,830	2,993	-	74,823
Property taxes	-	2,913	-	2,913	-	1,923	-	1,923
Advertising	-	22,005	-	22,005	-	20,580	-	20,580
Fundraising	-	-	2,761	2,761	-	-	6,862	6,862
Utilities expense	46,833	1,951	-	48,784	43,314	1,805	-	45,119
Equipment rental	-	6,367	-	6,367	-	6,604	-	6,604
Depreciation	210,013	8,751	-	218,764	205,287	8,554	-	213,841
Amortization	-	5,977	-	5,977	-	5,977	-	5,977
Bad debts	25,130	-	-	25,130	942	-	-	942
Miscellaneous	3,797	219	-	4,016	2,172	1,106	-	3,278
Total expenses	<u>\$2,119,846</u>	<u>\$ 961,897</u>	<u>\$ 2,761</u>	<u>\$3,084,504</u>	<u>\$1,757,791</u>	<u>\$ 656,463</u>	<u>\$ 6,862</u>	<u>\$2,421,116</u>

*See Independent Accountant's Review Report and Notes to Financial Statements*

**MONTESSORI CHILDREN'S CENTER, INC.**  
**Statements of Cash Flows**  
**Years Ended July 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ 206,944	\$ (164,284)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	224,741	219,818
Paycheck protection program loan forgiveness	(341,985)	-
Donated property and equipment	(3,400)	-
Allowance for doubtful accounts	(48,712)	88,396
Loss on disposal of fixed assets	4,381	2,655
(Increase) decrease in:		
Accounts receivable - tuition	(143,949)	(1,593,501)
Sales tax refund receivable	2,562	(2,924)
Prepaid expenses	(65,275)	(26,418)
Increase (decrease) in:		
Accounts payable	(10,264)	16,569
Tuition refunds payable	-	(37,596)
Accrued payroll	7,801	8,200
Other accrued expenses	4,689	-
Deferred tuition	46,239	1,861,862
Net cash provided by (used in) operating activities	<u>(116,228)</u>	<u>372,777</u>
Cash flows from investing activities:		
Purchase of property and equipment	(50,224)	(74,740)
Net cash used in investing activities	<u>(50,224)</u>	<u>(74,740)</u>
Cash flows from financing activities:		
Payments on long term debt	(75,349)	(72,400)
Payments on capital lease obligations	(8,733)	(4,019)
Net cash used in financing activities	<u>(84,082)</u>	<u>(76,419)</u>
Increase (decrease) in cash and cash equivalents	(250,534)	221,618
Cash and cash equivalents, beginning	<u>1,071,815</u>	<u>850,197</u>
Cash and cash equivalents, ending	<u>\$ 821,281</u>	<u>\$ 1,071,815</u>
Supplemental disclosures of cash flows information:		
Cash paid for interest	<u>\$ (38,999)</u>	<u>\$ (37,830)</u>
Supplemental disclosures of noncash investing activities:		
Property and equipment financed through accounts payable	<u>\$ -</u>	<u>\$ 1,500</u>
Purchase of property and equipment through issuance of capital lease obligations	<u>\$ 54,326</u>	<u>\$ -</u>

*See Independent Accountant's Review Report and Notes to Financial Statements*



## MONTESSORI CHILDREN'S CENTER, INC.

### Notes to Financial Statements

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Organization**

Montessori Children's Center, Inc. (the "Organization") was incorporated in 1995, as a not-for-profit corporation whose primary purpose is to operate a school in Forsyth County, North Carolina to encourage each child to reason, to cooperate, to collaborate, to negotiate and to understand. The Organization teaches preschool to adolescents.

The following is a summary of significant accounting policies:

##### **Financial Statement Presentation and Revenue Recognition**

The Organization reports information regarding its financial position and activities according to two classes of net assets:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions and may be expended for any purposes in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Board of Directors.
- *Net assets with donor restrictions* include resources that carry a donor-imposed restriction that permits the Organization to use or expend the donated assets as specified for which the restrictions are satisfied by the passage of time or by actions of the Organization. As those restrictions are met, the contributions are released from net assets with donor restrictions and are transferred to net assets without donor restrictions. Those resources for which the restrictions are met in the same fiscal year they are received are included in net assets without restrictions. It also includes resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Organization to use or expend part or all of the income derived from the donated assets. At July 31, 2022 and 2021, the Organization did not have any assets with donor restrictions.

The Organization recognizes revenue from unconditional promises to give when the pledge is received from the donor. Conditional promises to give are recognized as revenue when the condition of the pledge has been met. Contributions of assets other than cash are recorded at their estimated fair value.

Student tuition is recognized as revenue in the applicable school year. Student tuition revenues are shown net of refunds and any tuition concessions. Tuition that has been billed and not earned during the school year is recorded as deferred tuition on the statements of financial position.

##### **Cash and Cash Equivalents**

For purposes of reporting the statements of cash flows, the Organization includes all cash accounts and all highly liquid investments with an original maturity of three months or less as cash and cash equivalents.

# MONTESSORI CHILDREN'S CENTER, INC.

## Notes to Financial Statements

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounts Receivable

Credit is extended to students for tuition. Generally, collateral is not required. Accounts receivable are usually due based on a predetermined payment schedule. Accounts outstanding longer than the contractual payment terms are considered past due. An allowance for uncollectible accounts is based on whether the school will collect the deferred tuition after a student withdrawals. As of July 31, 2022 and 2021, the Organization recorded an allowance for doubtful accounts of \$40,000 and \$88,000, respectively.

#### Property and Equipment

Property and equipment are recorded at cost or their estimated fair value if donated. The Organization capitalizes property and equipment additions in excess of \$500. Depreciation is computed on a straight-line method over their estimated useful lives as noted below.

Buildings and improvements	5 - 40 years
Furniture and fixtures	5 - 10 years
Land improvements	10 - 20 years
Office equipment	3 - 10 years
Playground equipment	10 years
Montessori curriculum materials	5 - 6 years

#### Bond Issuance Cost

Bond issuance costs are being amortized on a straight-line basis over the life of the bond. Accumulated amortization amounted to \$31,207. Bond issuance costs have been netted against long term debt in accordance with ASU 2015-03, "Interest-Imputation of Interest". The following is a schedule, by years, of the future minimum amortization of these costs:

<u>Year Ending July 31,</u>	
2023	\$ 5,977
2024	5,977
2025	5,977
2026	5,977
2027	5,977
Thereafter	88,336
	<u>\$ 118,221</u>

#### Tax Status

As the Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, the financial statements contain no provision for federal or state income taxes. The Organization is not classified as a private foundation.

## **MONTESSORI CHILDREN'S CENTER, INC.**

### **Notes to Financial Statements**

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Tax Status (Continued)**

It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified during the years ended July 31, 2022 and 2021.

##### **Use of 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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### **Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets, and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### **Advertising**

Advertising costs are expensed as incurred. Advertising costs for the years ended July 31, 2022 and 2021, were \$22,005 and \$20,580, respectively.

##### **Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure through November 10, 2022, which is the date the financial statements were available to be issued.

#### NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits.

#### NOTE 3 - BONDS PAYABLE

In April 2017, the Organization signed a bond purchase agreement for up to \$2,783,750 through a finance agency. Interest is payable monthly at 65% of the 1-month LIBOR plus 1.35% per annum (3.1367% at July 31, 2022), with a ceiling of 4%. Interest only payments began on May 1, 2017, and principal and interest payments began April 1, 2018, and continue monthly through the maturity date of April 1, 2042. The final installment is due on April 1, 2042. The bond is collateralized by the Organization's main building. The Organization is in compliance with all applicable covenants.

**MONTESSORI CHILDREN'S CENTER, INC.****Notes to Financial Statements**

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## NOTE 3 - BONDS PAYABLE (Continued)

Future maturities of long-term debt, net of bond issuance cost, for each of the next five years and thereafter are as follows:

<u>Year Ending July 31,</u>	
2023	\$ 78,681
2024	81,886
2025	85,223
2026	88,695
2027	92,308
Thereafter	<u>1,933,308</u>
	<u><u>\$ 2,360,101</u></u>

## NOTE 4 - PAYCHECK PROTECTION LOAN FORGIVENESS

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief and Economic Security (“CARES”) Act that created up to \$349 billion in forgivable loans (“Paycheck Protection Program”) to businesses and not for profit organizations to pay employees during the COVID-19 pandemic. If the businesses and not for profit organizations used the Payroll Protection Program loan funds to cover payroll costs, mortgage interest, rent and utility costs over an 8 or 24 week period after the loan was made and maintained employee and compensation level, they can request forgiveness of the loan. On November 12, 2021, the Organization received full forgiveness of the loan totaling \$341,985. The Organization recognized the income as other income on the statements of activities and changes in net assets and reduced the corresponding liability on the statements of financial position.

## NOTE 5 - BOARD DESIGNATED NET ASSETS

Board designated net assets as of July 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Natural Learning Initiative	\$ <b>12,805</b>	\$ 12,805
Capital Campaign	<b>92,338</b>	92,050
Library	<b>19,090</b>	19,090
Total	<u><u>\$ <b>124,233</b></u></u>	<u><u>\$ 123,945</u></u>

## NOTE 6 - LEASES

The Organization leases office equipment, which has been determined to be a capital lease. The lease calls for monthly payments of \$1,288, expiring April 2027. Equipment under the capital lease of \$54,326 is included in equipment on the statements of financial position. Accumulated depreciation on the asset is \$2,716 as of July 31, 2022.

## MONTESSORI CHILDREN'S CENTER, INC.

### Notes to Financial Statements

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#### NOTE 6 - LEASES (Continued)

Future minimum capital lease payments as of July 31, 2022 are as follows:

2023	\$ 15,456
2024	15,456
2025	15,456
2026	15,456
2027	<u>11,594</u>
Subtotal	73,418
Less amount representing interest	<u>(21,134)</u>
Present value of lease obligations	<u>\$ 52,284</u>

#### NOTE 7 - RETIREMENT PLAN

The Organization has established a Simplified Employee Pension ("SEP") plan qualifying under Section 403(b)(7) of the Internal Revenue Code. Under the SEP agreement, employees can make pretax contributions to the plan. The Organization matches contributions up to 4% of an employee's salary for the year. The total expense related to contributions was \$34,058 and \$-0- for years ended July 31, 2022 and 2021, respectively.

#### NOTE 8 - LIQUIDITY

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Cash and cash equivalents	\$ 821,281
Accounts receivable - tuition	1,745,861
Sales tax refund receivable	<u>3,995</u>
Total financial assets	<u>\$ 2,571,137</u>

The Organization is substantially supported by contributions and grants that may be restricted resources that must be used in a particular manner or future period; therefore, the Organization must maintain sufficient resources to meet those responsibilities to its donors or grantee and many may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

#### NOTE 9 - RECLASSIFICATIONS

Management of the Company determined certain balances as previously reported for the year ending July 31, 2021 should be reclassified to be consistent with those classifications used in the current year. FACTS suspense account of \$35,869 and \$23,099 as of July 31, 2022 and July 31, 2021 was reclassified from prepaid asset to accounts receivable – tuition, net on the balance sheet. This reclassification did not result in a change in net income for the year ended July 31, 2022.