

ISTHMUS MONTESSORI ACADEMY, INC.

Financial Statements

July 31, 2021 and 2020

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

ISTHMUS MONTESSORI ACADEMY, INC.

Table of Contents

July 31, 2021 and 2020

	<u>Page</u>
Independent Auditors' Report	1 – 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 14
Supplementary Information	
Schedule of Revenues and Expenses	15
Additional Reports	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16 – 17
Independent Auditors' Report on Compliance for the Major State Program and on Internal Control over Compliance Required by the <i>Wisconsin Department of Public Instruction</i>	18 – 19
Federal and State Awards Section	
Schedule of Expenditures of Federal Awards	20
Schedule of State Financial Assistance	21
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	22
Schedule of Findings and Responses	23 – 26
Summary Schedule of Prior Audit Findings	27
Corrective Action Plan	28



Independent Auditors' Report

To the Board of Directors
Isthmus Montessori Academy, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of Isthmus Montessori Academy, Inc., which comprise the statements of financial position as of July 31, 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.

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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Isthmus Montessori Academy, Inc. as of July 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, schedule of state financial assistance and schedule of revenue and expenses, as required by *Wisconsin Department of Public Instruction*, are presented for purposes of additional analysis and are not a required part of the 2021 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2021 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2021 financial statements or to the 2021 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2021 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of Isthmus Montessori Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Isthmus Montessori Academy, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Isthmus Montessori Academy, Inc.'s internal control over financial reporting and compliance.

KerberRose SC

KerberRose SC
Certified Public Accountants
Appleton, Wisconsin
December 14, 2021



Financial Statements



ISTHMUS MONTESSORI ACADEMY

Statements of Financial Position

As of July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 787,070	\$ 349,796
Accounts Receivable, Net	14,568	15,938
Prepaid Expenses	13,950	28,909
Security Deposits	19,289	19,289
Property and Equipment, Net	<u>823,580</u>	<u>927,692</u>
TOTAL ASSETS	<u>\$ 1,658,457</u>	<u>\$ 1,341,624</u>
LIABILITIES		
Accounts Payable	\$ 29,416	\$ 19,392
Accrued Payroll Liabilities	21,130	15,180
Other Accrued Expenses	3,273	2,617
Deferred Revenue	59,942	-
Paycheck Protection Program Loan	-	102,700
Long-Term Debt	<u>669,429</u>	<u>769,697</u>
TOTAL LIABILITIES	<u>783,190</u>	<u>909,586</u>
NET ASSETS		
Without Donor Restrictions	<u>875,267</u>	<u>432,038</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,658,457</u>	<u>\$ 1,341,624</u>

See Accompanying Notes

ISTHMUS MONTESSORI ACADEMY

Statement of Activities

For the Year Ended July 31, 2021

	<u>Without Donor Restrictions</u>
REVENUES AND SUPPORT	
Contributions	\$ 81,953
Tuition and Fees, Net	346,988
Grants	2,392,449
Miscellaneous	392
Food Service	500
Total Revenues and Support	<u>2,822,282</u>
EXPENSES	
Private School	688,056
Public School	1,429,497
Management and General	323,441
Fundraising	41,845
Total Expenses	<u>2,482,839</u>
Increase in Net Assets from Operating Activities	<u>339,443</u>
NONOPERATING ACTIVITIES	
Forgiveness of Payroll Protection Loan	<u>103,786</u>
CHANGE IN NET ASSETS	443,229
NET ASSETS - BEGINNING	<u>432,038</u>
NET ASSETS - ENDING	<u>\$ 875,267</u>

See Accompanying Notes

ISTHMUS MONTESSORI ACADEMY

Statement of Activities

For the Year Ended July 31, 2020

	Without Donor Restrictions
REVENUES AND SUPPORT	
Contributions	\$ 54,933
Tuition and Fees, Net	513,621
Grants	2,292,103
Miscellaneous	384
Food Service	13,307
Total Revenues and Support	<u>2,874,348</u>
EXPENSES	
Private School	784,426
Public School	1,350,744
Management and General	346,434
Fundraising	42,917
Total Expenses	<u>2,524,521</u>
CHANGE IN NET ASSETS	349,827
NET ASSETS - BEGINNING	<u>82,211</u>
NET ASSETS - ENDING	<u>\$ 432,038</u>

See Accompanying Notes

ISTHMUS MONTESSORI ACADEMY

Statement of Functional Expenses

For the Year Ended July 31, 2021

	<u>Private School</u>	<u>Public School</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 413,972	\$ 648,761	\$ 1,062,733	\$ 148,288	\$ 24,717	\$ 1,235,738
Payroll Taxes	36,221	56,764	92,985	12,975	2,162	108,122
Employee Benefits	45,147	70,753	115,900	16,173	2,695	134,768
Personnel	945	1,482	2,427	339	56	2,822
Occupancy	14,258	26,480	40,738	5,684	947	47,369
Supplies and Materials	469	45,944	46,413	94	-	46,507
Administrative	244	4,612	4,856	1,253	-	6,109
Legal and Professional	-	1,381	1,381	106,153	-	107,534
Depreciation	40,260	70,455	110,715	15,097	-	125,812
Interest	17,318	24,920	42,238	-	-	42,238
Training and Development	12,838	88,168	101,006	-	-	101,006
Bad Debt	-	-	-	-	-	-
Direct Student Costs	234	10,066	10,300	-	1,405	11,705
Information Technology	12,344	27,776	40,120	4,422	737	45,279
Insurance	5,945	11,098	17,043	2,378	396	19,817
Kitchen and Food Service	4,386	12,619	17,005	-	-	17,005
Bank Fees	-	-	-	612	-	612
Advertising	250	250	500	-	-	500
Dues and Subscriptions	-	11,050	11,050	4,099	-	15,149
Office Expenses	-	-	-	4,211	-	4,211
Postage and Printing	170	170	340	47	-	387
Repairs and Maintenance	4,053	29,623	33,676	1,616	269	35,561
Rent	79,002	276,061	355,063	-	-	355,063
Travel and Transportation	-	4,467	4,467	-	8,461	12,928
Miscellaneous Expense	-	6,597	6,597	-	-	6,597
Total Expenses	<u>\$ 688,056</u>	<u>\$ 1,429,497</u>	<u>\$ 2,117,553</u>	<u>\$ 323,441</u>	<u>\$ 41,845</u>	<u>\$ 2,482,839</u>

ISTHMUS MONTESSORI ACADEMY

Statement of Functional Expenses

For the Year Ended July 31, 2020

	Program Services			Management and General	Fundraising	Total
	Private School	Public School	Total Program Services			
Salaries and Wages	\$ 455,448	\$ 713,762	\$ 1,169,210	\$ 163,145	\$ 27,191	\$ 1,359,546
Payroll Taxes	41,346	64,796	106,142	14,810	2,468	123,420
Employee Benefits	47,259	74,063	121,322	16,929	2,821	141,072
Personnel	7,600	11,911	19,511	2,723	454	22,688
Occupancy	14,129	26,239	40,368	5,633	939	46,940
Supplies and Materials	1,099	42,629	43,728	220	-	43,948
Administrative	8	151	159	41	-	200
Legal and Professional	-	-	-	58,992	-	58,992
Depreciation	35,443	62,025	97,468	13,291	-	110,759
Interest	20,320	29,240	49,560	-	-	49,560
Training and Development	6,704	23,425	30,129	-	-	30,129
Bad Debt	-	-	-	(8,320)	-	(8,320)
Direct Student Costs	17	744	761	-	104	865
Information Technology	14,299	22,409	36,708	5,122	854	42,684
Insurance	6,306	11,771	18,077	2,522	420	21,019
Kitchen and Food Service	7,292	20,487	27,779	-	-	27,779
Bank Fees	-	-	-	2,402	-	2,402
Advertising	183	183	366	-	-	366
Dues and Subscriptions	-	-	-	8,209	-	8,209
Office Expenses	-	-	-	13,087	-	13,087
Postage and Printing	-	-	-	159	-	159
Repairs and Maintenance	5,401	5,401	10,802	1,473	-	12,275
Rent	115,373	214,264	329,637	45,996	7,666	383,299
Travel and Transportation	6,199	21,663	27,862	-	-	27,862
Miscellaneous Expense	-	5,581	5,581	-	-	5,581
Total Expenses	\$ 784,426	\$ 1,350,744	\$ 2,135,170	\$ 346,434	\$ 42,917	\$ 2,524,521

See Accompanying Notes

ISTHMUS MONTESSORI ACADEMY
Statements of Cash Flows
For the Years Ended July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 443,229	\$ 349,827
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	125,812	110,759
Forgiveness of Paycheck Protection Loan	(102,700)	-
Changes in Certain Assets and Liabilities:		
Accounts Receivable	1,370	3,910
Prepaid Expenses	14,959	(9,323)
Security Deposit	-	(19,289)
Accounts Payable	10,024	(50,602)
Accrued Payroll Liabilities	(4,009)	(718)
Deferred Revenue	59,942	(6,000)
Other Accrued Expenses	656	(23,325)
Net Cash Flows From Operating Activities	<u>549,283</u>	<u>355,239</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(11,741)</u>	<u>(110,583)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(100,268)	(97,426)
Proceeds from Paycheck Protection Program Loan	-	102,700
Net Cash Flows From Financing Activities	<u>(100,268)</u>	<u>5,274</u>
NET CHANGE IN CASH	437,274	249,930
CASH - BEGINNING	<u>349,796</u>	<u>99,866</u>
CASH - ENDING	<u>\$ 787,070</u>	<u>\$ 349,796</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Purchase of Property and Equipment Included in Accounts Payable	<u>\$ 9,959</u>	<u>\$ -</u>

See Accompanying Notes

ISTHMUS MONTESSORI ACADEMY, INC.

Notes to Financial Statements

July 31, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Isthmus Montessori Academy, Inc. (Academy) provides an aid to life through a holistic AMI Montessori Education: helping children achieve their greatest success, develop independence, and live with genuine kindness to others and the world. The Academy serves children in the Madison, Wisconsin area.

Basis of Accounting

The financial statements of the Academy have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash

Cash is defined as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. The Academy maintains its bank accounts at one financial institution. Aggregate accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Academy had uninsured cash at July 31, 2021 of approximately \$145,000.

Accounts Receivable

Accounts receivable, including tuition and other receivables, are stated net of the allowance for doubtful accounts. The Academy does not charge finance charges on past due receivables. The allowance for doubtful accounts is maintained at a level that is management's best estimate of probable uncollectible tuition and bad debts incurred as of the statement of financial position date. Management's determination of the allowance is based on an evaluation of the receivables, past collection experience, current economic conditions, composition of the receivables, and other relevant factors. The allowance is increased by provisions for uncollectible tuition and other receivables charged against income. The allowance for doubtful accounts at July 31, 2021 and 2020 was \$6,359 and \$9,776, respectively.

Property and Equipment

Property and equipment is stated at cost if purchased. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Leasehold improvements are depreciated over the life of the lease. Property and equipment is depreciated using the straight-line method over the following estimated useful lives in years:

	<u>Depreciable Lives</u>
Equipment	3 - 5
Furniture and Fixtures	7
Leasehold Improvements	10

Donated property and equipment are recorded as increases in net assets without donor restrictions at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as donor restricted contributions. The Academy reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor and reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Deferred Revenue

Deferred revenue consists of tuition paid in advance of the school year.

ISTHMUS MONTESSORI ACADEMY, INC.

Notes to Financial Statements

July 31, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Academy are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations. Some donor stipulations are temporary in nature; those stipulations will be met by actions of the Academy and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Tax-Exempt Status

The Academy is a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. Gifts, grants and bequests are deductible by donors within limitations of the Internal Revenue Code.

The Academy evaluates its tax positions based on whether or not the position is more likely than not to be sustained upon examination by taxing authorities. This evaluation includes monitoring changes in tax law and new authoritative rulings for potential implications of its tax status. The Academy is not aware of any tax positions that would require disclosures. The Academy has not identified any income it would consider to be unrelated business income.

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. Actual results could differ from those estimates.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple schools and non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when conditions on which they depend are substantially met.

The Academy reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Academy grant revenue is from the Wisconsin Department of Public Instruction, Wisconsin Charter Schools Program, and others to support the growth of high-quality charter schools in Wisconsin, especially those focused on improving academic outcomes for educationally disadvantaged secondary students. It is recognized when received and is recorded as revenue without donor restrictions.

Tuition revenue is recognized as education services are provided over the course of the school year.

ISTHMUS MONTESSORI ACADEMY, INC.

Notes to Financial Statements

July 31, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Financial Aid and Tuition Reductions

Net tuition and fees reflect the Academy's actual tuition rates for all students less financial aid and other reductions. Financial aid is given on the basis of financial need. In the current year, a tuition credit was granted for the months that school was not in session due to COVID. Financial aid and other tuition discount amounts are netted with tuition and fees in the statement of activities. For the years ended July 31, 2021 and 2020, financial aid and other tuition discounts totaled \$0 and \$155,157, respectively.

Expense Allocation

Expenses have been allocated among program services, management and general, and fundraising classifications on the basis of time records and estimates made by management.

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

Private School - Preschool and daycare services for children age twelve months to three years old.

Public School - Charter school instruction for children kindergarten through tenth grade.

Management and General - Management and general activities involve the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Academy's program strategy; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of the Academy; and manage the financial and budgetary responsibilities of the Academy.

Fundraising - Fundraising activities include soliciting contributions from individuals, foundations, and others.

The financial statements report certain categories of expenses that are attributed to more than one supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Insurance, occupancy, depreciation and repairs and maintenance are allocated on a square footage basis; the remaining expense categories are allocated on the basis of estimates of time and effort.

Subsequent Events

The Academy has evaluated subsequent events through December 14, 2021, the date which the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of July 31:

	<u>2021</u>	<u>2020</u>
Cash	\$ 787,070	\$ 349,796
Accounts Receivable	14,568	15,938
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 801,638</u>	<u>\$ 365,734</u>

ISTHMUS MONTESSORI ACADEMY, INC.

Notes to Financial Statements

July 31, 2021 and 2020

Note 3 - Property and Equipment

The major categories of property and equipment included on the statements of financial position at July 31 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 5,000	\$ -
Equipment	92,888	92,888
Furniture and Fixtures	105,359	105,359
Leasehold Improvements	944,043	927,343
Total Property and Equipment	1,147,290	1,125,590
Less: Accumulated Depreciation	323,710	197,898
Net Property and Equipment	<u>\$ 823,580</u>	<u>\$ 927,692</u>

Note 4 – Notes Payable

Notes payable at July 31, consisted of the following:

	<u>2021</u>	<u>2020</u>
5.5% note payable to Monona Bank, payable in monthly installments of \$11,720 including interest. Secured by substantially all assets of the Academy as well as real estate owned by directors of the Academy. The note payable matures in May 2027.	\$ 631,615	\$ 713,601
5% unsecured note payable to a member of the board of directors, payable in monthly installments of \$1,726, including interest. Matures in June 2023.	37,814	56,096
Total Notes Payable	<u>\$ 669,429</u>	<u>\$ 769,697</u>

Future minimum principal payments on notes payable at July 31 are as follows:

	<u>Year</u>	
	<u>Ending</u>	
2022	\$	114,017
2023		118,660
2024		105,751
2025		111,716
2026		118,018
Thereafter		101,267
	<u>\$</u>	<u>669,429</u>

ISTHMUS MONTESSORI ACADEMY, INC.

Notes to Financial Statements

July 31, 2021 and 2020

Note 5 – Lease Arrangement

The Academy leases its operational facility under an operating lease that expires in August 2028. Current monthly lease payments are \$20,469. Rent expense for the years ended July 31, 2021 and 2020 was \$355,063 and \$383,300, respectively. Future minimum lease payments under this lease are:

Year Ending		
2022	\$	380,851
2023		385,751
2024		390,758
2025		393,519
2026		396,097
Thereafter		833,486

The lessor has a familial relationship to a member of the board of directors of the Academy.

Note 6 – Significant Concentrations

The Academy received approximately 83% and 80% of its revenues from the Wisconsin Department of Public Instruction for the years ended July 31, 2021 and 2020, respectively.

Note 7 – Paycheck Protection Program Loan

On April 17, 2020, the Academy qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (Monona Bank) for an aggregate principal amount of \$102,700. The PPP loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. Interest will only be charged if the SBA determines the loan is not eligible for forgiveness (in whole or in part) or if the Academy does not apply for loan forgiveness within ten months of the end of their covered period.

The principal amount of the PPP loan is subject to forgiveness under the Paycheck Protection Program upon the Academy's request to the extent that the PPP loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Academy. The Academy intends to apply for forgiveness of the PPP loan with respect to these covered expenses.

As of May 11, 2021, the Academy has used the full amount received to fund eligible payroll, rent, and utility expense under the terms of the PPP loan. As a result, the Academy has met the PPP loan eligibility criteria for forgiveness and forgiveness was granted. As such, the Academy has recognized the PPP loan proceeds as of July 31, 2021 as income.

Note 8 - Revenue from Contracts with Customers

In accordance with Topic 606, Revenue from Contracts with Customers, the Academy accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable that the Academy will collect substantially all of the consideration to which it is entitled. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a customer.

The Academy generates revenue from the following activities:

- Tuition — net tuition and fees for student education
- Food Service — net fees for student lunches

ISTHMUS MONTESSORI ACADEMY, INC.
Notes to Financial Statements
July 31, 2021 and 2020

Note 8 - Revenue from Contracts with Customers (Continued)

Disaggregation of Revenue

The table below presents net sales disaggregated by timing of revenue recognition by segment:

2021		
Segments	Tuition (Net)	Food Service
Timing of Revenue Recognition		
Services Transferred at a Point in Time	\$ -	\$ 500
Services Transferred Over Time	346,988	-
	\$ 346,988	\$ 500

2020		
Segments	Tuition (Net)	Food Service
Timing of Revenue Recognition		
Services Transferred at a Point in Time	\$ -	\$ 13,307
Services Transferred Over Time	513,621	-
	\$ 513,621	\$ 13,307

Opening and Closing Balances of Receivables and Liabilities

The following table provides information about accounts receivable and deferred revenue balances:

	At July 31, 2021	At July 31, 2020	At July 30, 2019
Accounts Receivable, Net	\$ 14,568	\$ 15,938	\$ 19,848
Deferred Revenue	\$ 59,942	\$ -	6,000

Note 9 – Upcoming Pronouncement

The Financial Accounting Standards Board has issued an accounting update which will result in significant changes to financial reporting and disclosures related to both operating and capital leases. The new leases update is intended to increase the transparency and comparability among organizations that lease buildings, equipment, and other assets by recognizing the assets and liabilities that arise from these lease transactions on the balance sheet. The Academy is currently evaluating the impact this update will have on the financial statements when adopted. The provisions of this update are effective for the Academy's financial statements for the year ending July 31, 2023.

Supplementary Information



ISTHMUS MONTESSORI ACADEMY
Schedule of Revenues and Expenses
For the Year Ended July 31, 2021

	<u>Private School</u>	<u>Public School</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
State Aid	\$ -	\$ 2,137,327	\$ 2,137,327
Federal Funds	-	255,122	255,122
Tuition, Net	346,988	-	346,988
Other Revenue	72,942	9,903	82,845
Total Revenues and Other Support	<u>419,930</u>	<u>2,402,352</u>	<u>2,822,282</u>
EXPENSES			
Instruction	222,216	1,259,231	1,481,447
Instructional Support	16,995	96,303	113,298
Facilities	81,256	460,453	541,709
Administration	20,594	116,696	137,290
Other	31,365	177,730	209,095
Total Expenses	<u>372,426</u>	<u>2,110,413</u>	<u>2,482,839</u>
FORGIVENESS OF PAYROLL PROTECTION LOAN	<u>103,786</u>	<u>-</u>	<u>103,786</u>
CHANGE IN NET ASSETS	151,290	291,939	443,229
NET ASSETS - BEGINNING	<u>43,224</u>	<u>38,987</u>	<u>82,211</u>
NET ASSETS - ENDING	<u>\$ 194,514</u>	<u>\$ 330,926</u>	<u>\$ 525,440</u>





Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Isthmus Montessori Academy, Inc.
Madison, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Isthmus Montessori Academy, Inc. (the Academy), which comprise the statement of financial position as of July 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 to 2021-002, that we consider to be material weaknesses and item 2021-003 as a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that is required to be reported under *Government Auditing Standards*.



To the Board of Directors
Isthmus Montessori Academy, Inc.

Isthmus Montessori Academy, Inc.'s Responses to Findings

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Academy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KerberRose SC

KerberRose SC
Certified Public Accountants
Appleton, Wisconsin
December 14, 2021





Independent Auditors' Report on Compliance for the Major State Program and on Internal Control Over Compliance Required by the Wisconsin Department of Public Instruction

To the Board of Directors
Isthmus Montessori Academy, Inc.
Madison, Wisconsin

Report on Compliance for the Major State Program

We have audited Isthmus Montessori Academy, Inc.'s (the Academy's) compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct and material effect on the Academy's major state program for the year ended July 31, 2021. The Academy's major state program is identified in the accompanying summary of auditors' results of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on the limited compliance requirements for the Academy's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Wisconsin Public School District Audit Manual*. These standards and compliance requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on the major state program occurred. An audit includes examining on a test basis, evidence about the Academy's compliance with those limited requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination on the Academy's compliance.

Opinion on the Major State Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended July 31, 2021.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the compliance for the major state program with and to test and report on internal control over compliance in accordance with *Wisconsin Public School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.



To the Board of Directors
Isthmus Montessori Academy, Inc.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of *Wisconsin Public School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

KerberRose SC

KerberRose SC
Certified Public Accountants
Appleton, Wisconsin
December 14, 2021



Federal and State Awards Section



ISTHMUS MONTESSORI ACADEMY
Schedule of Expenditures of Federal Awards
For the Year Ended July 31, 2021

Awarding Agency/ Award Description/ Pass-Through Agency	Federal Catalog Number	Pass Through I.D. Number	Accrued Receivable 8/1/19	Grantor Reimbursements	Expenditures	Accrued Receivable 7/31/20
U.S. DEPARTMENT OF EDUCATION						
Wisconsin Charter Schools Program	84.282	2021-138141-WCSP-360	\$ -	\$ 98,442	\$ 98,442	\$ -
CHILD NUTRITION						
Wisconsin Department of Public Instruction Cash Assistance:						
National School Lunch Program July 1, 2020-June 30, 2021	10.555	2021-252646-DPI-NSL-547	-	18,426	18,426	-
July 1, 2021-June 30, 2022		2022-252646-DPI-NSL-547	-	-	-	-
Team Nutrition Grant			-	355	355	-
Total Child Nutrition	10.574		-	18,781	18,781	-
TITLE I, PART A						
Wisconsin Department of Public Instruction Title I Grants to Local Educational Agencies July 1, 2019-June 30, 2020	84.010	2021-138141-WCSP-141	-	36,860	36,860	-
TITLE II, PART A						
Wisconsin Department of Public Instruction Formula Teacher and Principal Training July 1, 2019-June 30, 2020	84.367	2021-138141-DPI-TIIA-365-141	-	2,900	2,900	-
TITLE IV, PART A						
Wisconsin Department of Public Instruction Student Support and Academic Enrichment Grants July 1, 2020-June 30, 2021	84.424A	2021-0567734-DPI-TIV-A-381	-	20,000	20,000	-
Elementary and Secondary School Emergency Relief Funds	84.242D	2021-138141-DPI-ESSERF-160	-	37,746	37,746	-
Total TITLE IV, Part A			-	57,746	57,746	-
INDIVIDUALS WITH DISABILITIES EDUCATION ACT (IDEA)						
Wisconsin Department of Public Instruction Flow Through Entitlement July 1, 2020-June 30, 2021	84.027	2021-138141-WCSP-141	-	40,393	40,393	-
TOTAL FEDERAL ASSISTANCE			\$ -	\$ 255,122	\$ 255,122	\$ -
				298,136.00	300,996.48	2,091,453.00

The accompanying notes are an integral part of this schedule.
(These notes are on page 22)

ISTHMUS MONTESSORI ACADEMY
 Schedule of State Financial Assistance
 For the Year Ended July 31, 2021

Awarding Agency/ Award Description/ Pass-Through Agency	State I.D. Number	State Pass Through I.D. Number	Accrued Receivable 8/1/20	State Reimbursements	Expenditures	Accrued Receivable 7/31/21
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION						
ENTITLEMENT PROGRAMS						
<i>MAJOR STATE PROGRAMS:</i>						
Charter Schools State Aid - 2x Handicapped Pupils and School Age Parents:	255.289	138141	\$ -	\$ 2,091,453	\$ 2,091,453	\$ -
Internal District Program CESA #8	255.101 255.101	138141-100 N/A	-	43,014	43,014	-
State School Lunch Aid Match	255.102	13841	-	461	461	-
Pupil Transportation	255.107	13841	-	1,942	1,942	-
Assessments of Reading Readiness	255.956	13841	-	457	457	-
TOTAL MAJOR STATE PROGRAMS			<u>\$ -</u>	<u>\$ 2,137,327</u>	<u>\$ 2,137,327</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.
 (These notes are on page 22)

ISTHMUS MONTESSORI ACADEMY, INC.
Notes to the Schedule of Federal Awards and State Financial Assistance
July 31, 2021

Note 1 – Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance (the Schedules) includes the federal and state grant activity of Isthmus Montessori Academy, Inc. under programs of the federal and state governments for the year ended July 31, 2021. The information in these Schedules are presented in accordance with the requirements of Wisconsin Department of Public Instruction and *Wisconsin Public School District Audit Manual*. Because the Schedules present only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position or changes in net position of the Academy.

Note 2 – Special Education and School Age Parents Program

2020– 2021 eligible costs under the State Special Education Program are \$43,014.

Note 3 – Oversight Agencies

Isthmus Montessori Academy, Inc.'s federal oversight agency is the U.S. Department of Education. The Academy's state cognizant agency is the Wisconsin Department of Instruction.

ISTHMUS MONTESSORI ACADEMY, INC.

Schedule of Findings and Responses

For the Year Ended July 31, 2021

Section I – Summary of Auditors’ Responses

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	Yes
Noncompliance material to the financial statements?	No

State Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency identified?	None Reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Wisconsin Public School District Audit Manual?	No

Identification of major state awards:

State I.D. Number	Name of State Program
255.289	Charter Schools State Aid – 2x

Dollar threshold used to distinguish between Type A and Type B Programs	\$250,000
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ISTHMUS MONTESSORI ACADEMY, INC.
Schedule of Findings and Responses - Continued
For the Year Ended July 31, 2021

Section II – Financial Statement Finding

2021-001 – Financial Reporting

Condition: The Academy's management does not have the necessary training to record year end adjustments to the general ledger and to prepare the financial statements, including related notes and required supplementary information, in accordance with generally accepted accounting principles (GAAP).

Cause: The Academy's management does not have the training to prepare the financial statements and related notes in accordance with GAAP.

Criteria: One of the components of internal control over financial reporting is that personnel within the entity be sufficiently knowledgeable to record the entity's financial transactions in accordance with generally accepted accounting principles (GAAP) and to prepare the Academy's financial statements, including related notes and required supplemental information in accordance with those accounting principles.

Effect: Consequently, during our audit we prepared the Academy's financial statements and management reviewed and accepted responsibility for the financial statements, including related notes and required supplementary information.

Recommendation: This matter is common in most small companies since they do not have the resources to devote to this area of internal control. We recommend that the Academy continue to rely on the external auditors to prepare the financial statements and related notes and required supplementary information in accordance with generally accepted accounting principles.

Management's Response: Management is in agreement with the recommendation.

ISTHMUS MONTESSORI ACADEMY, INC.
Schedule of Findings and Responses - Continued
For the Year Ended July 31, 2021

Section II – Financial Statement Finding (Continued)

2021-002 – Material Journal Entries

Condition: During our audit, we identified and proposed nine journal entries to various general ledger accounts, which were approved and posted by management. Of the nine journal entries proposed and accepted by management, two were material to the financial statements as a whole.

Cause: Due to the size of the Academy and the limited number of accounting personnel, the Academy lacks an individual skilled in recording financial information in accordance with GAAP.

Criteria: Internal control systems should include personnel with sufficient education, training and/or experience to record financial information in accordance with generally accepted accounting principles (GAAP).

Effect: The effect of improper account during the year is that management could be reviewing materially incorrect financial information.

Recommendation: The Academy should consider providing additional training to staff who record financial information. We also recommend the accounts be reconciled on a monthly basis.

Management's Response: The Academy's management agrees with the finding and has concluded they will work to improve the accounting processes.

2021-003 – Segregation of Duties

Condition: The size of the Academy is such that its accounting staff is not large enough to provide segregation of duties that would be ideal.

Cause: Due to limited staff, management is unable to properly segregate duties.

Criteria: Internal control systems should include procedures to separate duties so that no one individual controls assets and performs the related record keeping.

Effect: Due to the lack of segregation of duties, unauthorized transactions could occur within the Academy.

Recommendation: We recognize that the Academy is not large enough to make the employment of additional persons for the purpose of segregating duties practical from a financial standpoint. We recommend that the Academy continue to have the Board of Directors review the financial information.

Management's Response: The Academy is aware of the lack of segregation of duties caused by the limited size of its staff and therefore, agrees with the finding. The Academy will continue to improve segregation of duties as they are able and continue to have the Board of Directors involved as much as possible.

ISTHMUS MONTESSORI ACADEMY, INC.
Schedule of Findings and Responses - Continued
For the Year Ended July 31, 2021

Section III – State Award Findings and Responses

No matters noted.

Section IV – Other Issues

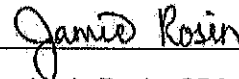
Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the Wisconsin Public School District Audit Manual:

Department of Public Instruction Yes

Was a management letter or other document conveying audit comments issued as a result of this audit? Yes

Name and Signature of Partner



Jamie Rosin, CPA

Date of report

December 14, 2021

ISTHMUS MONTESSORI ACADEMY, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended July 31, 2021

Financial Statement Findings

2020-001 – Financial Reporting

This matter was not resolved. This matter is part of Finding 2021-001 in the current year.

2020-002 – Material Journal Entries

This matter was not resolved. This matter is part of Finding 2021-002 in the current year.

2020-003 – Segregation of Duties

This matter was not resolved. This matter is part of Finding 2021-003 in the current year.



Corrective Action Plan

Financial Statement Finding

2021-001 – Financial Accounting and Reporting

The Academy management believes that the cost of devoting resources to the preparation of financial statements in accordance with generally accepted accounting principles would outweigh the benefits to be received. The Academy will continue to use the services of their current audit firm for the necessary guidance to prepare financial statements in accordance with generally accepted accounting principles. The Academy management will continue to review, approve and accept responsibility for the draft financial statements prepared by the audit firm.

Responsible Official

Melissa Droessler

Anticipated Completion Date

The finding will not completely resolve given the limited amount of financial staff and limited resources of the Academy. The Academy will continue to rely on board oversight and review of the financial records.

2021-002 – Material Journal Entries

The Academy management has hired additional staff with an accounting background to assist in the month and year end close process.

Responsible Official

Melissa Droessler

Anticipated Completion Date

The Academy believes this will be resolved in the 2021/2022 fiscal year.

2021-003 – Segregation of Duties

The Academy will continue to rely on its direct knowledge of daily operations and direct contact with employees to control and safeguard assets.

Responsible Official

Melissa Droessler

Anticipated Completion Date

The finding will not completely resolve given the limited amount of financial staff and limited resources of the Academy. The Academy will continue to rely on board oversight and review of the financial records.

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