



CITY GARDEN MONTESSORI SCHOOL

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

CITY GARDEN MONTESSORI SCHOOL

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Independent Auditors' Report

Board of Directors
City Garden Montessori School
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of City Garden Montessori School (a nonprofit organization) and subsidiaries which comprise the consolidated statements of assets, liabilities and net assets – modified cash basis as of June 30, 2020 and 2019, the related consolidated statements of support, revenues, expenses and changes in net assets – modified cash basis, and the consolidated statement of functional expenses – modified cash basis for the years then ended, as well as 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 consolidated financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the consolidated financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated assets, liabilities, and net assets – modified cash basis of City Garden Montessori School and its wholly owned subsidiaries as of June 30, 2020 and 2019, and its consolidated support, revenues, expenses and changes in net assets – modified cash basis for the years then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

The supplementary information on pages 23 through 25 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. This information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2021 on our consideration of City Garden Montessori School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of this 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 City Garden Montessori School's internal control over financial reporting or on control. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City Garden Montessori School's internal control over financial reporting and compliance.

Kerby Eck & Brackel LLP

Litchfield, Illinois
January 13, 2021

CITY GARDEN MONTESSORI SCHOOL

CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS June 30,

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 1,551,705	\$ 908,228
Investments	14,889	-
Note receivable	-	382,164
Property and leasehold improvements, net	<u>1,548,809</u>	<u>1,498,898</u>
Total assets	<u>\$ 3,115,403</u>	<u>\$ 2,789,290</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Long-term debt	\$ 590,404	\$ 1,831,480
Net assets		
Without donor restrictions	1,935,114	892,810
With donor restrictions	<u>589,885</u>	<u>65,000</u>
Total net assets	<u>2,524,999</u>	<u>957,810</u>
Total liabilities and net assets	<u>\$ 3,115,403</u>	<u>\$ 2,789,290</u>

See notes to financial statements.

CITY GARDEN MONTESSORI SCHOOL

CONSOLIDATED STATEMENTS OF SUPPORT, REVENUES, EXPENSES AND CHANGES IN NET ASSETS – MODIFIED CASH BASIS Years Ended June 30,

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUES						
Charter school						
Local revenues	\$ 1,196,188	2,163,495	\$ 3,359,683	\$ 1,534,293	\$ 65,000	\$ 1,599,293
State revenues	2,034,497	-	2,034,497	2,137,749	-	2,137,749
Federal revenues	169,458	-	169,458	177,278	-	177,278
Preschool revenues	264,528	-	264,528	301,103	-	301,103
After school care	53,872	-	53,872	70,350	-	70,350
Before school care	8,588	-	8,588	9,701	-	9,701
Net assets released from restrictions	1,638,610	(1,638,610)	-	60,000	(60,000)	-
Total operating revenue	5,365,741	524,885	5,890,626	4,290,474	5,000	4,295,474
EXPENSES						
Program services						
Charter school	3,025,396	-	3,025,396	2,756,028	-	2,756,028
Preschool	154,883	-	154,883	154,922	-	154,922
Management and general	770,180	-	770,180	712,159	-	712,159
Developmental	385,987	-	385,987	318,233	-	318,233
Total operating expenses	4,336,446	-	4,336,446	3,941,342	-	3,941,342
Revenues over (under) expenses	1,029,295	524,885	1,554,180	349,132	5,000	354,132
Net gains on investments	3,584	-	3,584	-	-	-
Interest income	9,425	-	9,425	21,748	-	21,748
CHANGE IN NET ASSETS	1,042,304	524,885	1,567,189	370,880	5,000	375,880
Net assets at beginning of year	892,810	65,000	957,810	521,930	60,000	581,930
Net assets at end of year	\$ 1,935,114	\$ 589,885	\$ 2,524,999	\$ 892,810	\$ 65,000	\$ 957,810

See notes to financial statements.

CITY GARDEN MONTESSORI SCHOOL

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS

Year Ended June 30, 2020

	Program services				Management and general	Developmental	Total
	Charter School			Preschool			
	Instruction	Support services	Total	Instruction			
Salaries	\$ 1,189,435	\$ 497,414	\$ 1,686,849	\$ 130,709	\$ 298,701	\$ 207,118	\$ 2,323,377
Employee benefits and taxes	421,850	138,672	560,522	22,654	120,726	58,785	762,687
Purchased services	54,592	531,287	585,879	-	219,000	117,592	922,471
Supplies	42,404	92,631	135,035	1,520	88,979	2,492	228,026
Interest	-	-	-	-	42,774	-	42,774
Depreciation and amortization	-	57,111	57,111	-	-	-	57,111
Total expenses	<u>\$ 1,708,281</u>	<u>\$ 1,317,115</u>	<u>\$ 3,025,396</u>	<u>\$ 154,883</u>	<u>\$ 770,180</u>	<u>\$ 385,987</u>	<u>\$ 4,336,446</u>

See notes to financial statements.

CITY GARDEN MONTESSORI CHARTER SCHOOL

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS

Year Ended June 30, 2019

	Program services						
	Charter School			Preschool	Management and general	Developmental	Total
	Instruction	Support services	Total	Instruction			
Salaries	\$ 1,115,997	\$ 270,750	\$ 1,386,747	\$ 131,270	\$ 287,293	\$ 121,104	\$ 1,926,414
Employee benefits and taxes	393,056	93,450	486,506	22,141	102,823	43,621	655,091
Purchased services	139,847	555,016	694,863	-	287,927	151,494	1,134,284
Supplies	51,158	77,951	129,109	1,511	34,116	2,014	166,750
Interest	-	34,400	34,400	-	-	-	34,400
Depreciation and amortization	-	24,403	24,403	-	-	-	24,403
Total expenses	<u>\$ 1,700,058</u>	<u>\$ 1,055,970</u>	<u>\$ 2,756,028</u>	<u>\$ 154,922</u>	<u>\$ 712,159</u>	<u>\$ 318,233</u>	<u>\$ 3,941,342</u>

See notes to financial statements.

CITY GARDEN MONTESSORI SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION

City Garden Montessori School and subsidiaries (the School), a not-for-profit corporation, is an independent publicly supported school located in the metropolitan area of the St. Louis Missouri Public School District. The School was organized in 2008 under Chapter 355 Revised Statutes of Missouri (RSMo) and governed by Senate Bill No. 781 of the 89th General Assembly of the Missouri legislature. The School's Charter with the State of Missouri was extended for 10 years in December 2017.

Under the RSMo, St. Louis University (Sponsor) granted the School an initial charter effective until June 30, 2018 and was extended through June 30, 2028. The Sponsorship agreement has a term of ten years provided that the School is in compliance with the terms of the charter agreement and unless a written notice of non-renewal is given by either party. During the term of the charter, the Sponsor may also terminate the charter if good cause is shown.

The School's charter provides for the education of students from diverse social and economic backgrounds in the target area surrounding the school in kindergarten and first through eighth grades. The School also provides Preschool services for children ages three through six.

The mission of City Garden Montessori School is to provide a high-quality education to a diverse student population, following the philosophy of Dr. Maria Montessori, and to cultivate young people who value and respect themselves, others, the environment and the world community. This process of nurturing teaches students to be competent, creative, lifelong learners who practice compassion, respect, nonviolence and sustainability.

The School under current Missouri statutes is considered to be a local education agency (LEA). The School's financial statements include the basic financial statements and certain other supplementary information. A summary of the significant accounting policies is listed below.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements include the accounts of the School and its wholly owned subsidiaries.

On June 30, 2019, the School's subsidiaries were City Garden Montessori School Foundation, LLC, 4157-4209 Folsom Property, LLC, and 4200-4208 Folsom Property, LLC, which are Missouri Limited Liability Companies. During the year ended June 30, 2020, 4200-4208 Folsom Property, LLC was renamed to 4200 Folsom Owner, LLC. Additionally, 4157-4209 Folsom Property, LLC was renamed to 4209 Folsom Owner, LLC and its interest was transferred to a newly formed subsidiary, 4209 Folsom Managing Member, LLC.

CITY GARDEN MONTESSORI SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All of the subsidiaries are not-for-profit organizations formed for the purpose of receiving property tax credits and purchasing real estate. All significant intercompany accounts have been eliminated in the consolidation.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America (GAAP). This basis of accounting differs from GAAP primarily because certain revenue and related assets (such as accounts receivable and revenue for billed or provided services not yet collected) have been recognized when received rather than when earned and certain expenses and related liabilities (such as accounts payable and expenses for goods or services received but not yet paid, and other accrued liabilities) have been recognized when paid rather than when the obligations were incurred.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be satisfied by actions of the School or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions upon receipt based on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of support, revenues, expenses and changes in net assets – modified cash basis as nets assets released from restrictions.

Cash

Cash includes cash on hand, checking and savings accounts.

CITY GARDEN MONTESSORI SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investments

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 and in the principal and most advantageous market for the asset or liability. Donated investments are recorded as contributions at fair value at the date of donation. See Note 6 for additional information on fair value measurements.

Contributions

The statements of support, revenues, expenses and changes in net assets – modified cash basis reflects in local revenue any contributions received from the public and other organizations.

School Funding

Entitlements and grants are recognized as revenue in the fiscal year in which received.

Contributed Services

The School receives donated services from professionals and volunteers; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by the modified cash basis of accounting.

Functional Allocations of Expenses

The costs or program and supporting services activities have been summarized on a functional basis in the statements of support, revenues, expenses and changes in net assets – modified cash basis. The statement of functional expenses – modified cash basis presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires the School to make estimates and assumptions that affect certain reported amounts of assets and liabilities and changes therein, and disclosures in the financial statements. Actual results could differ from those estimates.

CITY GARDEN MONTESSORI SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leasehold Improvements, Buildings, and Land

Leasehold improvements, buildings, and land are recorded at cost. The School capitalizes purchases of equipment in excess of \$1,000. Depreciation and amortization for leasehold improvements and buildings is computed using the straight-line method over the estimated useful lives of the respective improvements which can range from 10 to 40 years.

Income Taxes

The School is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income under Section 501(a) of the Code. The School files federal informational returns. These returns are generally subject to examination by the Internal Revenue Service for three years from the date they are filed.

Reclassifications

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

Subsequent Events

The School evaluates the events occurring after the date of the consolidated financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the consolidated financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was January 13, 2021, for these consolidated financial statements. See Note 16 for additional information.

NOTE 3 – CONCENTRATION OF SUPPORT

The School received grants and donations from four sources that separately comprise greater than five percent of the School's operating revenue for the year ended June 30, 2020, as shown by the table below:

<u>Source of Contributions</u>	<u>Contributions</u>	<u>Percentage of Total Operating Revenue</u>
Private Donor A	\$ 950,138	16.1%
Private Donor B	500,000	8.5%
Private Donor C	401,800	6.8%
Paycheck Protection Program	492,600	8.4%
	<u>\$ 2,344,538</u>	<u>39.8%</u>

CITY GARDEN MONTESSORI SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – PAYCHECK PROTECTION PROGRAM

On April 17, 2020, the School was granted an award in the aggregate amount of \$492,600, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

Funds may only be used for payroll, mortgage, rent and utility payments, continuation of group health care benefits during periods of paid sick, medical, or family leave and insurance premiums; employee salaries, commissions or similar compensation; interest on any mortgage obligation (excluding prepayment of principal) and interest on any other debt obligations incurred before the covered period. Under the terms of the PPP, certain amounts may be forgiven if they are used for qualifying expenses as described in the CARES Act. The School used the entire amount for qualifying expenses and expects the entire amount to be forgiven. Therefore, the School recognized the PPP funds as local revenues of \$492,600 in the statements of support, revenues, expenses and changes in net assets – modified cash basis for the year ended June 30, 2020, as permitted by the modified cash basis of accounting.

NOTE 5 – LIQUIDITY AND AVAILABILITY

The School has the following financial assets as of the consolidated statement of assets, liabilities and net assets – modified cash basis date, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations. City Garden Montessori School has a goal to maintain liquid financial assets on hand to continue operations.

	June 30,	
	2020	2019
Cash	\$1,551,705	\$ 908,228
Investments	14,889	-
Total financial assets	1,566,594	908,228
Contractual or donor-imposed restrictions	(589,885)	(65,000)
Board designations - strategic planning	-	(237,119)
Total	<u>\$ 976,709</u>	<u>\$ 606,109</u>

CITY GARDEN MONTESSORI SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENT

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School's investments totaling \$14,889 as of June 30, 2020 consisted of corporate stocks and equity mutual funds reported as Level 1 investments under the fair value hierarchy.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to change in the value of investment securities, it is at least reasonably possible that the change in risk in the near term would materially affect the amounts reported in the financial statements.

NOTE 7 – NOTE RECEIVABLE

The City Garden Montessori School Foundation, LLC loaned \$500,000 to Tower Grove Investment Fund, LLC, a Missouri Limited Liability Company, for building leasehold improvements and an educational facilities transaction. The note required interest-only payments at the rate of 6.00% annually through September 30, 2018, a principal payment of \$117,836 on October 12, 2018, then monthly principal and interest payments of \$4,982 until maturity on November 30, 2026. Tower Grove Investment Fund, LLC retired this note during the year ended June 30, 2020 by paying all principal and interest in full.

NOTE 8 – PROPERTY AND LEASEHOLD IMPROVEMENTS

During the year ended June 30, 2020, the School incurred \$107,022 of renovation costs on its 4209 Folsom Avenue property. Below is a table summarizing capital asset balances as of June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 250,000	\$ 250,000
Renovations in progress	129,522	22,500
Buildings and improvements		
Buildings	1,070,436	1,070,436
Building improvements	214,295	214,295
Less accumulated depreciation and amortization	<u>(115,444)</u>	<u>(58,333)</u>
Total buildings and improvements	<u>1,169,287</u>	<u>1,226,398</u>
Total property and improvements	<u>\$ 1,548,809</u>	<u>\$ 1,498,898</u>

CITY GARDEN MONTESSORI SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Depreciation and amortization expense was \$57,111 and \$24,403 for the years ended June 30, 2020 and 2019, respectively.

NOTE 9 – LONG-TERM DEBT

During 2011, the City Garden Montessori School Foundation, LLC, borrowed \$500,000 on a long-term note from IFF for building leasehold improvements. The note required interest-only payments at 6% annually through December 1, 2018, at which time the principal outstanding became due. The note was extended monthly during the fiscal year ended June 30, 2019 and was paid off in full during the year ended June 30, 2020.

During 2016, the School borrowed \$145,000 on a long-term note from IFF for leasehold improvements. The note had an annual interest rate of 6.375%. The note required principal and interest payments of \$1,253 per month through January 1, 2022. All principal and interest payments were made during the years ended June 30, 2020 and the remaining principal balance of \$122,347 was refinanced via the IFF note described below on June 26, 2020.

On June 6, 2019, the School borrowed \$1,029,904 and \$290,070, respectively, from an individual creditor. The notes both had a variable interest rate, which was computed as the current LIBOR rate plus 1.25%. As of June 30, 2019, the total balance of the notes were \$1,319,974. During the fiscal year ended June 30, 2020, the creditor donated stock valued at \$950,138 which was liquidated and used to repay the creditor. The remaining note balance of \$369,836 was refinanced via the IFF note described below on June 26, 2020.

On June 26, 2020, the School borrowed \$590,404 on a long-term refinancing note from IFF. The note has an annual interest rate of 5.25%. The note requires monthly accrued interest payments through the note's maturity July 1, 2022. Principal is due upon maturity. The note is secured by two future advanced deeds of trust, assignments of leases and rents, security agreements and fixture filings, related to encumbered real estate (4202 Folsom Avenue) located in the City of St. Louis.

The future debt service requirements on all of the above notes are as follows:

Year ending June 30,	Principal	Interest
2021	\$ -	\$ 30,996
2022	-	30,996
2023	590,404	-
	<u>\$ 590,404</u>	<u>\$ 61,992</u>

CITY GARDEN MONTESSORI SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – LEASE COMMITMENTS

Facilities

The School entered into an operating lease agreement for the lease of educational facilities owned by Tower Grove Master Tenant, LLC, located at 1618 Tower Grove Avenue, St. Louis, Missouri. The lease expires in November 2027. The amounts paid for rent for the facilities were \$339,229 and \$298,923 and for the years ended June 30, 2020 and 2019, respectively.

Equipment

The School leases printer/copiers from Ricoh with a base monthly amount of \$412. The lease runs through August 2020.

Future minimum lease commitments are as follows:

Year Ending June 30,	Facilities	Equipment	Total
2021	\$ 319,332	\$ 412	\$ 319,744
2022	324,108	-	324,108
2023	329,172	-	329,172
2024	331,848	-	331,848
2025	334,524	-	334,524
Thereafter	676,956	-	676,956
	<u>\$ 2,315,940</u>	<u>\$ 412</u>	<u>\$ 2,316,352</u>

NOTE 11 – RISK MANAGEMENT

The School is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance, with limitation, to protect the School from certain of such risks.

NOTE 12 – RETIREMENT PLAN

The School contributes to the Public School Retirement System of the City of St. Louis, a cost-sharing, multiple-employer defined benefit pension plan. Participation is mandatory under Missouri Revised Statutes, Chapter 105 and 169.

CITY GARDEN MONTESSORI SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Retirement System members hired before January 1, 2018 are required to contribute 5.50% of their annual covered salary from July 1, 2018 through December 31, 2018, 6.00% of their annual covered salary from January 1, 2019 through December 31, 2019, and 6.5% of their annual covered salary from January 1, 2020 through June 30, 2020. Members hired on or after January 1, 2018 are required to contribute 9.00% of their annual covered salary. The School was required to contribute 16.00% of covered school compensation for January 1, 2018 to December 31, 2018, 15.50% of covered school compensation for January 1, 2019 to December 31, 2019 and 15.00% for the remainder of the school year ended June 30, 2020. The employer rates are determined annually as part of the Annual Valuation Report made by the Plan's actuary and the employee contribution rate is determined by the statute.

The total employer contributions were \$338,780 and \$288,493 for the years ended June 30, 2020 and 2019, respectively.

The retirement system issues a publicly available financial report that includes financial statements and other required information. That report may be obtained by writing to: The Public School Retirement System of the City of St. Louis, 3641 Olive Street Suite 300, St. Louis, Missouri, 63108, or by calling 1-314-534-7444.

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Regional Racial Equity Leadership	\$ 10,000	\$ 10,000
Montessori Preschool	-	35,000
Preschool Expansion	457,735	-
African American Math Outcomes	20,000	20,000
Anti-Bias Anti-Racism Training	2,187	-
Preschool Scholarships	59,963	-
Teacher Professional Development - Balanced Literacy	15,000	-
Teacher Professional Development - Differentiated Teacher	5,000	-
Curriculum Development & Codification	15,000	-
Board of Directors Development	5,000	-
	<u>\$ 589,885</u>	<u>\$ 65,000</u>

CITY GARDEN MONTESSORI SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor were as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Montessori Preschool	\$ 41,500	\$ -
Preschool Expansion	42,265	-
Anti-Bias Anti-Racism Training	22,813	-
Preschool Scholarships	38	60,000
4209 Folsom Ave. Building Acquisition	950,138	-
Classroom Technology	29,923	-
Emergency COVID-19 Student Funding	20,000	-
COVID-19 Family Assistance	9,384	-
COVID-19 Needs	20,000	-
Paycheck Protection Program	492,600	-
Expansion Strategic Plan	9,949	-
	<u>\$ 1,638,610</u>	<u>\$ 60,000</u>

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Grants

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated financial statements for such potential claims.

NOTE 15 – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are salaries, benefits, and payroll taxes which are allocated on basis of estimates of time and effort. The remaining expenses are allocated directly.

NOTE 16 – SUBSEQUENT EVENTS

Formation of a New Entity

As of January 13, 2021, the School is in the process of forming a new entity. This entity will be used exclusively for fundraising purposes and will be a related party of City Garden Montessori School.

CITY GARDEN MONTESSORI SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Capital Commitments

On September 9, 2020, the 4209 Folsom Owner, LLC entered into a construction contract related to renovations as part of the School's expansion project of the property located at 4209 Folsom Avenue. The maximum contracted budget for renovations is approximately \$10.3 million. This construction is expected to be completed August 1, 2021.

Debt

In August 2020, the 4209 Folsom Owner, LLC entered into an agreement with a lender to fund the continued expansion of the Folsom Avenue property as part of the School's expansion project. The maximum amount that can be drawn on this debt is \$1,245,000, and all draws must be made prior to June 30, 2021. Interest will accrue at 3.00% annually, payable quarterly in arrears until the debt's maturity 60 months after the first draw on the debt.

The School is the guarantor of this debt which collateralized by a first deed of trust and assignments of leases, rents, security deposits, contracts, accounts, accounts receivable and proceeds on 4209 Folsom Avenue.

The School intends to obtain New Markets Tax Credit financing, as well as Federal and State Historic Tax Credit financing to help fund the expansion project.

In August 2020, City Garden Montessori School, 4200 Folsom Owner, LLC, and 4209 Folsom Owner, LLC entered into a loan modification agreement with IFF to increase the amount of the previous \$590,000 by \$250,000. Proceeds are to be used for the continued construction of the 4209 Folsom Avenue property as part of the school expansion. Interest will accrue at 5.25%.

The School expects a comprehensive financing package to close in the first quarter of 2021, which will refinance the IFF debt listed above. It will also include Federal and State Historic Tax Credit financing, New Markets Tax Credit financing, and new indebtedness, which has not yet been determined. All financing will be used for the School's expansion project.

U.S. Department of Education Grant

During the year ended June 30, 2020, the School was informed by the U.S. Department of Education that its application for a charter school expansion grant had been approved. The grant is a reimbursement grant for the School's expansion-related expenditures, and it is worth up to \$1.47 million over the course of five years. From October 1, 2019 through September 30, 2021, the School can submit reimbursement requests collectively worth up to \$600,000. For the three following years ended September 30, the School can submit annual reimbursement requests worth up to \$300,000 each year (within the maximum \$1.47 million grant value). Between July 1, 2020 and January 13, 2021, the School was reimbursed for its first request of \$33,250.

CITY GARDEN MONTESSORI SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Charter School Growth Fund Grant

On December 17, 2020, the School was approved to receive a grant from the Charter School Growth Fund, which is to be used to fund the School's expansion. The grant is worth \$650,000 and will be disbursed over three years.

COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States of America. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. As a result of COVID-19, the School is conducting regular coursework in a hybrid format, and employees are working remotely to the greatest extent possible. Future potential impacts may include impairment of the School's ability to obtain contributions and volunteers. The future effects of these issues are unknown.

SUPPLEMENTARY INFORMATION

CITY GARDEN MONTESSORI SCHOOL

CONSOLIDATED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS – UNAUDITED Year Ended June 30, 2020

	General	Special Revenue	Capital Projects	Total
REVENUES				
Local	\$ 2,659,562	\$ 89,982	\$ 1,825,027	\$ 4,574,571
State	2,034,497	-	-	2,034,497
Federal	169,457	-	-	169,457
Total revenues	4,863,516	89,982	1,825,027	6,778,525
EXPENSES				
Current				
Instruction	712,977	995,304	-	1,708,281
Student services	108,555	-	-	108,555
Instructional staff training	18,532	-	-	18,532
Professional development	19,574	-	-	19,574
Improvement of instruction	11,633	-	-	11,633
Executive administration	534,756	-	-	534,756
Office of the principal	126,701	163,695	-	290,396
Business support services	165,616	-	-	165,616
Operation of plant	531,880	-	-	531,880
Contracted transportation	14,280	-	-	14,280
Food service	77,739	-	-	77,739
Internal information services	21,783	-	-	21,783
Early childhood instruction	154,883	-	-	154,883
After school program	27,962	-	-	27,962
Other community services	328,936	-	-	328,936
Parental involvement	82,503	-	-	82,503
Debt service				
Principal payments	-	-	1,831,480	1,831,480
Interest payments	-	-	42,232	42,232
Capital outlay	-	-	109,881	109,881
Total expenses	2,938,310	1,158,999	1,983,593	6,080,902
Revenues over (under) expenses	1,925,206	(1,069,017)	(158,566)	697,623
Other sources and (uses)				
Transfers	(1,227,583)	1,069,017	158,566	-
NET CHANGE IN FUND BALANCE	697,623	-	-	697,623
Fund balance at July 1, 2019	908,261	-	-	908,261
Fund balance at June 30, 2020	\$ 1,605,884	\$ -	\$ -	\$ 1,605,884

CITY GARDEN MONTESSORI SCHOOL

CONSOLIDATED SCHEDULE OF REVENUES COLLECTED BY SOURCE – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS – UNAUDITED Year Ended June 30, 2020

	General	Special Revenue	Capital Projects	Total
LOCAL				
Prop C	\$ 149,971	\$ 89,982	\$ -	\$ 239,953
Student activity income	11,616	-	-	11,616
Food service	10,659	-	-	10,659
Contributions	1,642,686	-	950,000	2,592,686
Community services	62,460	-	-	62,460
Investment earnings	12,871	-	-	12,871
Preschool tuition	264,528	-	-	264,528
Rentals	1,988	-	-	1,988
Other	502,783	-	875,027	1,377,810
	<u>2,659,562</u>	<u>89,982</u>	<u>1,825,027</u>	<u>4,574,571</u>
STATE				
Basic formula	1,957,424	-	-	1,957,424
Classroom trust funding	76,560	-	-	76,560
Food service	513	-	-	513
	<u>2,034,497</u>	<u>-</u>	<u>-</u>	<u>2,034,497</u>
FEDERAL				
Title I	62,197	-	-	62,197
Title II	6,572	-	-	6,572
Title IV.A	10,261	-	-	10,261
Part B special education	39,436	-	-	39,436
Breakfast program	5,811	-	-	5,811
CARES - breakfast program	375	-	-	375
Lunch program	25,435	-	-	25,435
CARES - lunch program	1,616	-	-	1,616
Snack program	1,162	-	-	1,162
CARES - snack program	116	-	-	116
Medicaid	16,476	-	-	16,476
	<u>169,457</u>	<u>-</u>	<u>-</u>	<u>169,457</u>
Total revenues	<u><u>\$4,863,516</u></u>	<u><u>\$ 89,982</u></u>	<u><u>\$ 1,825,027</u></u>	<u><u>\$ 6,778,525</u></u>

CITY GARDEN MONTESSORI SCHOOL

CONSOLIDATED SCHEDULE OF EXPENDITURES PAID BY OBJECT – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS – UNAUDITED Year Ended June 30, 2020

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Salaries	\$ 1,451,872	\$ 871,505	\$ -	\$ 2,323,377
Employee benefits	475,193	287,494	-	762,687
Purchased services	811,250	-	-	811,250
Supplies and materials	199,995	-	-	199,995
Interest	-	-	42,232	42,232
Principal	-	-	1,831,480	1,831,480
Capital outlay	-	-	109,881	109,881
	<u>\$ 2,938,310</u>	<u>\$ 1,158,999</u>	<u>\$ 1,983,593</u>	<u>\$ 6,080,902</u>