



Bella Mente
Montessori Academy
Charter School #1515

County of San Diego
Vista, California

Audit Report
June 30, 2020



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL
 Consolidated Financial Statements and Supplemental Information
 Year Ended June 30, 2020

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Independent Auditor's Report

To the Board of Trustees of
Bella Mente Montessori Academy Charter School
Vista, California

Report on the Consolidated financial statements

We have audited the accompanying consolidated financial statements of Bella Mente Montessori Academy Charter School, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statement of activities, consolidated functional expenses, and consolidated cash flows for the year then ended, and the related Notes to the consolidated financial statements.

Management's Responsibility for the Consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 auditor's 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 financial statements referred to above present fairly, in all material respects, the financial position of Bella Mente Montessori Academy Charter School as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information identified in the table of contents, as required by the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 March 5, 2021, on our consideration of Bella Mente Montessori Academy Charter School'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 the School'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 the School's internal control over financial reporting and compliance.

El Cajon, California

March 5, 2021

Consolidated Financial Statements

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Consolidated Statement of Financial Position

June 30, 2020

Assets

Cash and cash equivalents	\$ 4,120,357
Operating investments	1,170,879
Accounts receivable	1,345,586
Prepaid expenses	75,428
Other assets cost of issuance	794,868
Property and equipment, net	14,304,593
Total Assets	<u>\$ 21,811,711</u>

Liabilities and Net Assets

Liabilities

Accounts payable vendors	\$ 501,482
Accounts payable grantor government	71,470
Accrued expenses and other liabilities	197,201
Bonds and notes payable	16,775,006
Total Liabilities	<u>17,545,159</u>

Net Assets

Without donor restrictions	
Undesignated	4,786,791
Invested in property and equipment, net of related debt	(625,998)
	<u>4,160,793</u>
With donor restrictions	
Restricted for state programs	105,759
	<u>105,759</u>
Total Net Assets	<u>4,266,552</u>
Total Liabilities and Net Assets	<u>\$ 21,811,711</u>

The accompanying notes are an integral part of this statement.

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Consolidated Statement of Activities

Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 3,239,278	\$ -	\$ 3,239,278
Education protection account state aid	117,934	-	117,934
Transfers in lieu of property taxes	<u>1,903,590</u>	<u>-</u>	<u>1,903,590</u>
Total LCFF sources	<u>5,260,802</u>	<u>-</u>	<u>5,260,802</u>
Federal contracts and grants	-	345,180	345,180
State contracts and grants	269,751	894,690	1,164,441
Local contracts and grants	215,443	-	215,443
Interest income	15,448	-	15,448
Net assets released from restriction -			
Grant restrictions satisfied	<u>1,190,476</u>	<u>(1,190,476)</u>	<u>-</u>
Total revenue, support, and gains	<u>6,951,920</u>	<u>49,394</u>	<u>7,001,314</u>
Expenses and Losses			
Program services expense	5,443,801	-	5,443,801
Supporting services expense	<u>1,269,213</u>	<u>-</u>	<u>1,269,213</u>
Total expenses and losses	<u>6,713,014</u>	<u>-</u>	<u>6,713,014</u>
Change in Net Assets	238,906	49,394	288,300
Net Assets, Beginning of Year	<u>3,921,887</u>	<u>56,365</u>	<u>3,978,252</u>
Net Assets, End of Year	<u>\$ 4,160,793</u>	<u>\$ 105,759</u>	<u>\$ 4,266,552</u>

The accompanying notes are an integral part of this statement.

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Statement of Consolidated Functional Expenses
Year Ended June 30, 2020

	<u>Program Services</u>	<u>Supporting Services</u>	
	Educational	Management and	
	Programs	General	Total
Salaries and Wages	2,404,649	635,102	\$ 3,039,751
Other employee benefits	381,876	100,859	482,735
Payroll taxes	180,010	47,543	227,553
Fees for services:			
Management	-	232,532	232,532
Legal	-	23,364	23,364
Audit	-	8,200	8,200
Other fees - Professional consulting	212,641	21,975	234,616
Other fees - District oversight	-	52,410	52,410
Other fees - Banking and service charges	-	11,778	11,778
Advertising and promotion	-	19,431	19,431
Office expenses	160,533	-	160,533
Information technology	41,476	-	41,476
Royalties	26,823	-	26,823
Occupancy	77,308	-	77,308
Travel	-	4,045	4,045
Conferences, conventions, and meetings	56,752	-	56,752
Debt service interest	1,178,899	-	1,178,899
Depreciation	402,338	-	402,338
Insurance	-	81,795	81,795
Other expenses:			
Books and supplies	280,125	-	280,125
Equipment rental and repair	24,754	-	24,754
Student events	15,617	-	15,617
Dues and memberships	-	14,008	14,008
Miscellaneous	-	16,171	16,171
Total expenses by function	<u>5,443,801</u>	<u>1,269,213</u>	<u>6,713,014</u>

The accompanying notes are an integral part of this statement.

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Statement of Consolidated Cash Flows

Year Ended June 30, 2020

Cash Flows from Operating Activities	
Receipts from federal, state, and local contracts and grants	\$ 4,533,086
Receipts from property taxes	1,903,590
Other cash receipts	778,226
Payments for salaries, benefits and payroll taxes	(3,789,760)
Payments to vendors	(1,612,136)
Net Cash Used For Operating Activities	<u>1,813,006</u>
Cash Flows from Investing Activities	
Purchases of operating investments	53,341
Net Cash From Investing Activities	<u>53,341</u>
Cash Flows from Financing Activities	
Interest paid	(1,178,899)
Net Cash used in Financing Activities	<u>(1,178,899)</u>
Net Change in Cash and Cash Equivalents	687,448
Cash and Cash Equivalents, Beginning of Year	<u>3,432,909</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,120,357</u>
Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities	
Change in net assets	\$ 288,300
Depreciation	402,338
Interest paid	1,178,899
Adjustments to reconcile change in net assets to net cash:	
(Increase) Decrease in assets	
Accounts receivable	(551,138)
Prepaid expenses	115,395
Other assets cost of issuance	26,824
Increase (Decrease) in liabilities	
Accounts payable vendors	390,161
Accounts payable grantor government	1,948
Accrued expenses and other liabilities	(39,721)
Net Cash Used For Operating Activities	<u>\$ 1,813,006</u>

The accompanying notes are an integral part of this statement.

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements

Year Ended June 30, 2020

A. Principal Activity and Summary of Significant Accounting Policies

Organization

Bella Mente Montessori Academy (the school) was formed on September 9, 2011 as a charter school pursuant to California Education Code §47600 under a charter agreement with Vista Unified School District (the District). The school became a nonprofit public benefit corporation on September 9, 2011. The charter agreement was approved by Vista Unified School District and submitted to the California Board of Education in May 2013. The school began operations on September 3, 2013.

Bella Mente Montessori is a tuition-free, TK-8 Charter school in Vista. Bella Mente is proud to offer a quality Montessori education with classroom limited to a 1:28 teacher/student ratio. An educational atmosphere is provided that encourages socioeconomic diversity by providing all students with the opportunity to obtain a quality public education via Montessori and project based learning philosophies. The School strives to foster forward thinking students prepared with 21st century skills while enriching and nurturing the whole child.

BM Holdings LLC was created in 2018 in order to finance the purchase of the building the school resides in.

Basis of Consolidation

The accompanying consolidated financial statements include accounts of Bella Mente Montessori Academy and its related entity, BM Holdings LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Management makes estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Actual results could differ from those estimates.

Basis of Accounting

The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The Corporation uses the accrual basis of accounting, under which revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Cash and Cash Equivalents

The School considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due to the School for federal, state, and local grants and contracts receivable. The amounts in accounts receivable are considered fully collectable and as such there has not been an allowance for uncollectable accounts or discount established for the School.

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

Inventory

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued using the first-in/first-out (FIFO) method and consist of expendable supplies held for consumption.

Property and Equipment

The School records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the consolidated statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed in the current period.

The School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future consolidated cash flows expected to result from its use and eventual disposition. When considered impaired an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2020.

Investments

The School records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values on the consolidated statement of financial position. Net investment return/(loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-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 (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

Revenue and Revenue Recognition

The School recognizes revenue from sales when the products are transferred and services are provided. The school records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The schools federal, state, and local contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expense. Consequently, at June 30, 2020 there were no conditional contributions, federal, state and local contracts recognized in the accompanying financial statements.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and developing activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Advertising

Advertising costs are expensed as incurred and approximated \$4,463 during the year ended June 30, 2020.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The statement of consolidated functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes

The School is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The School is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The School may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2020, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The School follows provisions of uncertain tax positions as addressed in ASC 958. The School recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the consolidated financial statements related to uncertain tax positions for the year ended June 30, 2020.

The School files informational and income tax returns in the United States and in the state of California. The federal income tax and informational returns are subject to examination by the Internal Revenue Service for three years after the returns are filed. State and local jurisdictions have statutes of limitation that generally range from three to five years.

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the School to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

The School manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the School to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the School has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from government agencies. Investments are made by diversified investment managers whose performance is monitored by the board of directors for the School. Although fair values of investments are subject to fluctuation on a year-to-year basis, the School believes that the investment policies and guidelines are prudent for the long-term welfare of the School.

LCFF Revenues and Payments in Lieu of Property Taxes

The School's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the schools' average daily attendance (ADA) as reported at the second principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the school, which is funding in lieu of property taxes, and education protection account funds paid by the state under proposition 30. The remaining balance is paid from the state general fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 75.14% of the School's revenue.

The School is not at risk of losing these funding sources, as long as the schools maintain a steady level of ADA, as these funding sources are mandated by the California State Constitution to fund schools.

New Accounting Guidance

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that became effective during the 2019-20 fiscal year:

1. FASB ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)*
2. FASB ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*
3. FASB ASU 2016-01 *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.*
4. FASB ASU 2016-04 *Liabilities – Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products (a consensus of the Emerging Issues Task Force).*
5. FASB ASU 2016-08 *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net).*
6. FASB ASU 2016-10 *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.*
7. FASB ASU 2016-12 *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients.*

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

8. FASB ASU 2016-15 *Statement of Consolidated cash flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments* (a consensus of the Emerging Issues Task Force).
9. FASB ASU 2016-16 *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*
10. FASB ASU 2016-20 *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*.
11. FASB ASU 2017-01 *Business Combinations (Topic 805): Clarifying the Definition of a Business*
12. FASB ASU 2017-05 *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*.
13. FASB ASU 2017-07 *Compensation – Retirement Benefits (Topic 715): Improving Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*.
14. FASB ASU 2018-03 *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.
15. FASB ASU 2018-09 *Codification Improvements*
16. FASB ASU 2020-04 *Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting*.
17. FASB ASU 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*.

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the 2019-20 fiscal year did not impact the financial accounting or presentation for the School.

Subsequent Events

In preparing these consolidated financial statements, the School has evaluated events and transactions for potential recognition or disclosure through March 5, 2021, the date the consolidated financial statements were available to be issued.

B. Liquidity and Availability

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

Cash and cash equivalents	\$ 4,120,357
Operating investments	1,170,879
Accounts receivable	<u>1,345,586</u>
	<u>\$ 6,636,822</u>

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

C. Fair Value Measurements and Disclosures

The School reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3: Unobservable inputs for the asset or liability. In these situations, the School develops inputs using the best information available in the circumstances

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the School's assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of the School's investment assets are classified within Level 1 because they comprise open end mutual funds with readily determinable fair values based on daily redemption values. The School has funds at the San Diego County Treasury which invests funds in various markets such as CDs, money market, and U.S. government obligations. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions and are classified within Level 2.

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2020:

Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Treasury and Operating investments:				
Cash in county treasury	\$ 3,735,655	\$ -	\$ 3,735,655	\$ -
Money market and equivalent funds (at cost) by community foundation	<u>1,170,879</u>	<u>1,170,879</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,906,534</u>	<u>\$ 1,170,879</u>	<u>\$ 3,735,655</u>	<u>\$ -</u>

D. Cash and Investments

Cash and investments at June 30, 2020 consisted of the following:

	Bella Mente Charter School	BM Holdings LLC	Total
Cash in county treasury	\$ 3,735,655	\$ -	\$ 3,735,655
Cash in bank accounts	384,340	362	384,702
Investments	<u>-</u>	<u>1,170,879</u>	<u>1,170,879</u>
Total cash and investments	<u>\$ 4,119,995</u>	<u>\$ 1,171,241</u>	<u>\$ 5,291,236</u>

Cash in County Treasury

The School is a voluntary participant and therefore maintains a portion of its cash in the San Diego County Treasury as part of the common investment pool (\$3,735,655 as of June 30, 2020). The County Treasury is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, banker’s acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse agreements.

The fair value of the School’s investment in this pool is reported in the accompanying consolidated financial statements at amounts based upon the School’s pro-rata share of the fair value provided by the County Treasury for the entire County Treasury portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasury, which are recorded on an amortized cost basis. Cash may be added or withdrawn from the investment pool without limitation.

Cash Equivalents and Investments

The School maintains a portion of their funds in short term investments, money market funds and mutual funds (\$1,170,879 as of June 30, 2020). These cash equivalents consist of United States Government Money Market Funds. These funds are not FDIC insured and are therefore exposed to custodial credit risk. The School does not anticipate any losses as a result of this risk. Cash may be added or withdrawn from the money market accounts without limitation.

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

Cash in Bank

The remainder of the School's cash (\$384,702 as of June 30, 2020) is held in financial institutions which are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor or certain non-interest-bearing accounts that are fully insured by the FDIC. As of June 30, 2020, the School held \$161,313 in excess of the FDIC insured amounts. The School reduces its exposure to risk by maintaining such deposits with high quality financial institutions. The School has not experienced any losses in such accounts and believe it is not exposed to any significant credit risk.

E. Accounts Receivable

As of June 30, 2020, accounts receivable consisted of the following:

	<u>Bella Mente Charter School</u>
Federal Government	
Title I	\$ 15,639
Child Nutrition	36,879
Special Education	88,103
Facilities Grant	12,144
Other Federal Programs	5,470
State Government	
Special Education	124,663
LCFF Revenue	242,970
Lottery Funding	24,423
SB740	581,369
Other State Programs	32,524
Local Government	
Property tax payments	157,808
Other Local Sources	
Interest	15,035
Other local sources	8,559
Total Accounts Receivable	<u>\$ 1,345,586</u>

F. Prepaid Expenses

As of June 30, 2020, prepaid expenses consisted of the following:

	<u>Bella Mente Charter School</u>
Service contracts	\$ 19,976
Insurance	55,452
Total Accounts Payable	<u>\$ 75,428</u>

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

G. Property and Equipment

Property and equipment for Bella Mente Montessori Academy Charter School consisted of the following at June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 3,352,414	\$ -	\$ -	\$ 3,352,414
Total Non-Depreciable Capital Assets	<u>3,352,414</u>	<u>-</u>	<u>-</u>	<u>3,352,414</u>
Depreciable Capital Assets				
Buildings and Improvements	11,730,396	-	-	11,730,396
Equipment, Furniture, and Fixtures	68,569	-	-	68,569
Total Depreciable Capital Assets	<u>11,798,965</u>	<u>-</u>	<u>-</u>	<u>11,798,965</u>
Total Capital Assets	15,151,379	-	-	15,151,379
Less Accumulated Depreciation	(444,448)	(402,338)	-	(846,786)
Capital Assets, Net	<u>14,706,931</u>	<u>(402,338)</u>	<u>-</u>	<u>14,304,593</u>

H. Bonds Payable

On July 1, 2018, the California Municipal Financing Authority (the Authority) issued \$15,485,000 of Series A 2018 Charter School Lease Revenue Bonds and \$485,000 of Series B 2018 Charter School Lease Revenue Bonds (the Bonds). The Bonds are 30-year serial bonds maturing on July 1, 2048, with Series A rates being 5.00% and Series B rates being 5.75%, provisions for optional and mandatory redemption sinking funds, and a provision for early redemption. Payment of principal and interest on the Bonds is guaranteed by a lease agreement, which provides the Authority with the rights and title to program revenues and is secured by the school building.

Bonds payable consist of the following at June 30, 2020:

Principal amount	\$ 15,970,000
Plus unamortized premium	805,006
	<u>\$ 16,775,006</u>

Future maturities of bonds payable are as follows:

Series A

Year Ending June 30,	Principal	Interest	Total
2021	\$ 35,000	\$ 773,375	\$ 808,375
2022	35,000	771,625	806,625
2023	305,000	763,125	1,068,125
2024	320,000	747,500	1,067,500
2025	335,000	731,125	1,066,125
2026-2030	1,900,000	3,383,500	5,283,500
2031-2035	2,460,000	2,843,000	5,303,000
2036-2040	3,150,000	2,145,000	5,295,000
2041-2045	4,015,000	1,254,125	5,269,125
2046-2048	2,930,000	224,500	3,154,500
	<u>\$ 15,485,000</u>	<u>\$ 13,636,875</u>	<u>\$ 29,121,875</u>

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

Series B

Year Ending June 30,	Principal	Interest	Total
2021	235,000	21,132	\$ 256,132
2022	250,000	7,188	257,188
	<u>\$ 485,000</u>	<u>\$ 28,319</u>	<u>\$ 513,319</u>

I. Leases*Related Party Capital Lease*

The School entered into a lease for its building from BM Holdings LLC, a related party, in 2018 after the building was purchased from the previous lessor. At the end of the lease the building will transfer ownership to the School.

Future minimum lease payments are as follows:

Year Ended June 30	Capital Leases
2021	1,072,116
2022	1,072,198
2023	1,075,729
2024	1,075,417
2025	1,074,354
2026-2030	5,331,000
2031-2035	5,364,666
2036-2040	5,373,542
2041-2045	5,369,854
2046-2048	<u>3,135,042</u>
Total minimum lease payments	29,943,918
Less amount representing interest	<u>(15,013,327)</u>
Capital lease obligation	<u>\$ 14,930,591</u>

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

J. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2020:

Restricted for state programs	
Educational Programs	\$ 98,278
SB 117 Covid Response Funds	7,481
	<u>105,759</u>
 Total net assets with donor restrictions	 <u>\$ 105,759</u>

K. Related Party Transactions

Related parties as defined by generally accepted accounting standards include:

1. Affiliates of the entity,
2. Management and members of their immediate families, or
3. Other parties that can significantly influence management or operating policies.

Bella Mente Montessori Academy Charter School and BM Holdings LLC, are affiliated through common executive management. The LLC holds part of the building and debt on it's books and facilitates the lease for the School.

The following represents material transactions between the affiliated organizations that occurred during the 2019-20 fiscal year:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Bella Mente Montessori Charter School	BM Holdings LLC	\$ 762,778	Rent and Interest

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

L. Upcoming Changes in Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that become effective over the next few fiscal years:

1. FASB ASU 2016-02 *Leases (Topic 842)* – Effective Fiscal Year Ending June 30, 2022
2. FASB ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* – Effective Fiscal Year Ending June 30, 2024
3. FASB ASU 2017-04 *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* – Effective Fiscal Year Ending June 30, 2024
4. FASB ASU 2017-08 *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities* – Effective Fiscal Year Ending June 30, 2021
5. FASB ASU 2017-11 *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope exception.* – Effective Fiscal Year Ending June 30, 2021
6. FASB ASU 2017-12 *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* – Effective Fiscal Year Ending June 30, 2022
7. FASB ASU 2018-01 *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842* – Effective Fiscal Year Ending June 30, 2022
8. FASB ASU 2018-07 *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share Based Payment Accounting.* – Effective Fiscal Year Ending June 30, 2021.
9. FASB ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* – Effective Fiscal Year Ending June 30, 2021
10. FASB ASU 2018-10 *Codification Improvements to Topic 842, Leases* – Effective Fiscal Year Ending June 30, 2022
11. FASB ASU 2018-11 *Leases (Topic 842): Targeted Improvements* – Effective Fiscal Year Ending June 30, 2022
12. FASB ASU 2018-12 *Financial Service – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* – Effective Fiscal Year Ending June 30, 2025
13. FASB ASU 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* – Effective Fiscal Year Ending June 30, 2021
14. FASB ASU 2018-14 *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans* – Effective Fiscal Year Ending June 30, 2023
15. FASB ASU 2018-15 *Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract (a consensus of the FASB Emerging Issues Task Force)* – Effective Fiscal Year Ending June 30, 2022
16. FASB ASU 2018-16 *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes* – Effective Fiscal Year Ending June 30, 2022

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

17. FASB ASU 2018-17 *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* – Effective Fiscal Year Ending June 30, 2021
18. FASB ASU 2018-18 *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606* – Effective Fiscal Year Ending June 30, 2022
19. FASB ASU 2019-20 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* – Effective Fiscal Year Ending June 30, 2024
20. FASB ASU 2018-20 *Leases (Topic 842): Narrow Scope Improvements for Lessors* – Effective Fiscal Year Ending June 30, 2022
21. FASB ASU 2019-01 *Leases (Topic 842): Codification Improvements* – Effective Fiscal Year Ending June 30, 2022.
22. FASB ASU 2019-02 *Entertainment – Films – Other Assets – Film Costs (Subtopic 926-20) and Entertainment – Broadcasters – Intangibles – Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials (a consensus of the Emerging Issues Task Force* – Effective Fiscal Year Ending June 30, 2022
23. FASB ASU 2019-03 *Not-For-Profit Entities (Topic 958): Updating the Definition of Collections* – Effective Fiscal Year Ending June 30, 2021
24. FASB ASU 2019-04 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* – Effective Fiscal Year Ending June 30, 2021
25. FASB ASU 2019-05 *Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief* – Effective Fiscal Year Ending June 30, 2021
26. FASB ASU 2019-08 *Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements – Share Based Consideration Payable to a Customer* – Effective Fiscal Year Ending June 30, 2021
27. FASB ASU 2019-09 *Financial Services – Insurance (Topic 944): Effective Date* – Effective Fiscal Year Ending June 30, 2025
28. FASB ASU 2019-10 *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* - Effective Fiscal Years Ending June 30, 2022 and June 30, 2024
29. FASB ASU 2019-11 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* – Effective Fiscal Year Ending June 30, 2024
30. FASB ASU 2019-12 *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* – Effective Fiscal Year Ending June 30, 2024
31. FASB ASU 2020-01 *Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force).* – Effective Fiscal Year Ending June 30, 2022
32. FASB ASU 2020-03 *Codification Improvements to Financial Instruments* – Effective Fiscal Years Ending June 30, 2021 and June 30, 2024

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the future fiscal years are not expected to impact the financial accounting or presentation for the School.

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

M. COVID-19 Impact and Considerations

In March 2020 the World Health Organization declared the outbreak of the novel coronavirus COVID-19 a global pandemic. The nature of the pandemic resulted in a mandatory school property closure affecting the Bella Mente Montessori Academy Charter School School from March 16, 2020 and continuing into the Fall of 2020-21 school year. California Governor Gavin Newsom issued a state-wide executive order mandating that schools remain closed until the county in which the school is located is off the COVID-19 watch list for fourteen consecutive days. The 2020-21 fiscal year opened in a fully distance learning model, until such time as campuses can be re-opened. At this point in time the Bella Mente Montessori Academy Charter School School campuses remain closed until Los Angeles County meets the benchmark requirements.

In addition to school closures, new regulations and safety measures were required to be put in place by all schools in California as part of a re-opening plan. The Bella Mente Montessori Academy Charter School School has established a re-opening plan that they believe will provide a safe environment for the students and teachers.

The federal and state government have established temporary funding to assist in the additional costs that resulted from the COVID-19 pandemic. All California schools are eligible for these funds. Due to timing of the grant disbursements, the Bella Mente Montessori Academy Charter School School did not expend any of the funds in the 2019-20 fiscal year. The funds remain available for the 2020-21 fiscal year. Additionally, for the 2019-20 fiscal year, the state placed all charter schools in a hold harmless state shifting attendance reporting periods to a point prior to the pandemic to prevent sudden losses of attendance from impacting funding for the 2019-20 fiscal year. Finally, funding for the 2020-21 fiscal year is frozen at amounts provided in 2019-20 for all California charter schools, with adjustments based on the Governor's budget. The School has established their 2020-21 budget with this in consideration.

Supplementary Information

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Consolidating Statement of Financial Position
Year Ended June 30, 2020

	Bella Mente Charter School	BM Holdings LLC	Elimination	Total
Assets				
Cash and cash equivalents	\$ 4,119,995	\$ 362	\$ -	\$ 4,120,357
Operating investments	-	1,170,879	-	1,170,879
Accounts receivable	1,415,437	14,930,591	(15,000,442)	1,345,586
Prepaid expenses	75,428	-	-	75,428
Other assets cost of issuance	-	794,868	-	794,868
Property and equipment, net	14,304,593	-	-	14,304,593
Total Assets	<u>\$ 19,915,453</u>	<u>\$ 16,896,700</u>	<u>\$ (15,000,442)</u>	<u>\$ 21,811,711</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable vendors	\$ 54,856	\$ 446,626	\$ -	\$ 501,482
Accounts payable to related entity	-	69,851	(69,851)	-
Accounts payable grantor government	71,470	-	-	71,470
Accrued expenses and other liabilities	197,201	-	-	197,201
Capital lease obligations	14,930,591	-	(14,930,591)	-
Bonds and notes payable	-	16,775,006	-	16,775,006
Total Liabilities	<u>15,254,118</u>	<u>17,291,483</u>	<u>(15,000,442)</u>	<u>17,545,159</u>
Net Assets				
Without donor restrictions				
Undesignated	5,181,574	(394,783)	-	4,786,791
Invested in property and equipment, net of related debt	(625,998)	-	-	(625,998)
	<u>4,555,576</u>	<u>(394,783)</u>	<u>-</u>	<u>4,160,793</u>
With donor restrictions				
Restricted for state programs	105,759	-	-	105,759
	<u>105,759</u>	<u>-</u>	<u>-</u>	<u>105,759</u>
Total Net Assets	<u>4,661,335</u>	<u>(394,783)</u>	<u>-</u>	<u>4,266,552</u>
Total Liabilities and Net Assets	<u>\$ 19,915,453</u>	<u>\$ 16,896,700</u>	<u>\$ (15,000,442)</u>	<u>\$ 21,811,711</u>

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Consolidating Statement of Activities

Year Ended June 30, 2020

	Bella Mente Charter School		BM Holdings LLC	Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	
Revenue, Support, and Gains					
Local Control Funding Formula (LCFF) sources					
State aid	\$ 3,239,278	\$ -	\$ -	\$ -	\$ 3,239,278
Education protection account state aid	117,934	-	-	-	117,934
Transfers in lieu of property taxes	1,903,590	-	-	-	1,903,590
Total LCFF sources	<u>5,260,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,260,802</u>
Federal contracts and grants	-	345,180	-	-	345,180
State contracts and grants	269,751	894,690	-	-	1,164,441
Local contracts and grants	215,443	-	-	-	215,443
Interest income	-	-	778,226	(762,778)	15,448
Net assets released from restriction -					
Grant restrictions satisfied	1,190,476	(1,190,476)	-	-	-
Total revenue, support, and gains	<u>6,936,472</u>	<u>49,394</u>	<u>778,226</u>	<u>(762,778)</u>	<u>7,001,314</u>
Expenses and Losses					
Program services expense	5,000,857	-	1,205,722	(762,778)	5,443,801
Supporting services expense	1,268,401	-	812	-	1,269,213
Total expenses and losses	<u>6,269,258</u>	<u>-</u>	<u>1,206,534</u>	<u>(762,778)</u>	<u>6,713,014</u>
Change in Net Assets	667,214	49,394	(428,308)		288,300
Net Assets, Beginning of Year	3,888,362	56,365	33,525	-	3,978,252
Net Assets, End of Year	<u>\$ 4,555,576</u>	<u>\$ 105,759</u>	<u>\$ (394,783)</u>	<u>\$ -</u>	<u>\$ 4,266,552</u>

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Consolidating Statement of Functional Expenses

Year Ended June 30, 2020

	Bella Mente Montessori Charter School		BM Holdings LLC		Elimination	Total
	Program Services	Supporting Services	Program Services	Supporting Services		
	Educational Programs	Management and General	Educational Programs	Management and General		
Salaries and Wages	\$ 2,404,649	\$ 635,102	\$ -	\$ -	\$ -	\$ 3,039,751
Other employee benefits	381,876	100,859	-	-	-	482,735
Payroll taxes	180,010	47,543	-	-	-	227,553
Fees for services:						
Management	-	232,532	-	-	-	232,532
Legal	-	23,364	-	-	-	23,364
Audit	-	8,200	-	-	-	8,200
Other fees - Professional consulting	212,641	21,163	-	812	-	234,616
Other fees - District oversight	-	52,410	-	-	-	52,410
Other fees - Banking and service charges	-	11,778	-	-	-	11,778
Advertising and promotion	-	19,431	-	-	-	19,431
Office expenses	160,533	-	-	-	-	160,533
Information technology	41,476	-	-	-	-	41,476
Amortization	-	-	26,823	-	-	26,823
Occupancy	840,086	-	-	-	(762,778)	77,308
Travel	-	4,045	-	-	-	4,045
Conferences, conventions, and meetings	56,752	-	-	-	-	56,752
Debt service interest	-	-	1,178,899	-	-	1,178,899
Depreciation	402,338	-	-	-	-	402,338
Insurance	-	81,795	-	-	-	81,795
Other expenses:						
Books and supplies	280,125	-	-	-	-	280,125
Equipment rental and repair	24,754	-	-	-	-	24,754
Student transportation	15,617	-	-	-	-	15,617
Dues and memberships	-	14,008	-	-	-	14,008
Miscellaneous	-	16,171	-	-	-	16,171
Total expenses by function	\$ 5,000,857	\$ 1,268,401	\$ 1,205,722	\$ 812	\$ (762,778)	\$ 6,713,014

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Organization Structure
Year Ended June 30, 2020

Bella Mente Montessori Academy (Charter #1515) was established in 2013. The authorizing entity is Vista Unified School District.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Scott Moote	President	Three Year Term Expires June 30, 2022
Caroline Veale	Secretary	Three Year Term Expires June 30, 2022
Dan Niebaum	Treasurer	Three Year Term Expires June 30, 2021
Janet Figueroa	Member	Three Year Term Expires June 30, 2022
Andrea Ruano	Member	Three Year Term Expires June 30, 2021

ADMINISTRATION

Erin Feeley, M. ED
Executive Director & Principal

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Schedule of Average Daily Attendance

Year Ended June 30, 2020

	Second Period Report		Annual Report	
	Original FA0FF4ED	Revised N/A	Original F7B2A621	Revised N/A
Classroom Based Attendance				
Grades TK/K-3	339.28	N/A	339.28	N/A
Grades 4-6	167.48	N/A	167.48	N/A
Grades 7-8	82.47	N/A	82.47	N/A
Total Classroom Based Attendance	<u>589.23</u>	<u>N/A</u>	<u>589.23</u>	<u>N/A</u>
Total ADA	<u>589.23</u>	<u>N/A</u>	<u>589.23</u>	<u>N/A</u>

N/A – There were no audit findings which resulted in revisions to the second period or annual reports of attendance.

On March 17, 2020 Governor Newsom signed Senate Bill (SB) 117 which mitigated the effect of lost attendance due to COVID19 that occurred after February 29, 2020. For the purpose of preventing losses of attendance-based funding as a result of reductions in average daily attendance (ADA) due to COVID19, this legislation provided that the ADA used for both the second period (P2) and the Annual period apportionment include all full school months from July 1, 2019 to February 29, 2020 for all local education agencies (LEAs).

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Schedule of Instructional Time

Year Ended June 30, 2020

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2019-20 Actual Minutes</u>	<u>2019-20 COVID-19 Closure Minutes</u>	<u>2019-20 Total Instructional Minutes</u>	<u>2019-20 Actual School Days</u>	<u>2019-20 COVID-19 Closure Days</u>	<u>2019-20 Total School Days</u>	<u>Status</u>
Kindergarten	36,000	32,020	14,945	46,965	120	55	175	Complied
1st Grade	50,400	39,340	18,425	57,765	120	55	175	Complied
2nd Grade	50,400	39,340	18,425	57,765	120	55	175	Complied
3rd Grade	50,400	39,340	18,425	57,765	120	55	175	Complied
4th Grade	54,000	42,390	19,875	62,265	120	55	175	Complied
5th Grade	54,000	42,390	19,875	62,265	120	55	175	Complied
6th Grade	54,000	42,390	19,875	62,265	120	55	175	Complied
7th Grade	54,000	46,596	21,809	68,405	120	55	175	Complied
8th Grade	54,000	46,596	21,809	68,405	120	55	175	Complied

Due to COVID-19 the District closed campus on March 16, 2020 through the end of the school year. Distance learning was provided to students for school days during the closure. This schedule has been reflected based on the original approved calendar and instructional time planned by the District for the 2019-20 fiscal year.

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Schedule of Financial Trends and Analysis
Year Ended June 30, 2020

	Budget 2021	2020	2019	2018
Revenues	\$ 6,370,817	\$ 6,985,866	\$ 9,452,429	\$ 6,589,104
Expenses	6,319,130	5,506,480	6,747,437	6,634,940
Change in Net Assets	<u>51,687</u>	<u>1,479,386</u>	<u>2,704,992</u>	<u>(45,836)</u>
Ending Net Assets	<u>\$ 5,475,800</u>	<u>\$ 5,424,113</u>	<u>\$ 3,944,727</u>	<u>\$ 1,239,735</u>
Unrestricted Net Assets	<u>\$ 4,713,022</u>	<u>\$ 5,318,354</u>	<u>\$ 3,888,362</u>	<u>\$ 1,061,664</u>
Unrestricted net assets as a percentage of total expenses	<u>74.58%</u>	<u>96.58%</u>	<u>57.63%</u>	<u>16.00%</u>
Total Long Term Debt	<u>\$ 14,930,591</u>	<u>\$ 14,930,591</u>	<u>\$ 14,901,162</u>	<u>\$ 11,999,116</u>
ADA at P2	<u>541</u>	<u>589</u>	<u>633</u>	<u>609</u>

The School's ending net assets has increased by \$4,184,378 (337.52%) over the past two fiscal years. The significant increase is in large due to an increase in ADA and revenue per ADA while maintaining efficiencies in cost. The average daily attendance (ADA) reported by the School has decreased by 20 (3.28%) over the past two years. The 2020-21 fiscal year budget projects a decrease in net assets of \$51,687 (0.95%) and a decrease in ADA of 48 (8.15%).

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Reconciliation of Unaudited Financial Report Alternative Form with Audited Consolidated financial statements
Year Ended June 30, 2020

June 30, 2020 annual financial alternative form net assets:	\$ 4,661,333
Adjustments and reclassifications:	
Rounding	<u>2</u>
Total adjustments and reclassifications	<u>2</u>
June 30, 2020 audited financial statements net assets:	<u>\$ 4,661,335</u>

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Notes to Supplementary Information
Year Ended June 30, 2020

A. Purpose of Schedules

Consolidating Statement of Financial Position

This schedule provides the information by school which combines into the School's overall statement of net position, with eliminations for activities between the schools within the School.

Consolidating Statement of Activities

This schedule provides the information by school which combines into the School's overall consolidated statement of activities.

Organization Structure

This schedule provides information about the schools' charter numbers, district of authorization, members of the governing board, and members of administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measure of the number of pupils attending classes of the schools. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the School and whether they complied with the provisions of Education Code Section 47612.5.

Schedule of Financial Trends and Analysis

Budget information for 2021 is presented for analysis purposes only and is based on estimates of the 2020-21 fiscal year. The information has not been subject to audit.

This schedule discloses the School's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the School's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Unaudited Financial Report Alternative Form with Audited Consolidated financial statements

This schedule provides the information necessary to reconcile the fund balance as reported on the Unaudited Financial Report Alternative Forms prepared by the schools to the net assets reported in the audited consolidated financial statements.

Other Independent Auditors' Reports

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Consolidated financial
statements Performed in Accordance with *Government Auditing Standards*

To the Board of Education
Bella Mente Montessori Academy Charter School
Vista, California

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 Bella Mente Montessori Academy Charter School (School), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Bella Mente Montessori Academy Charter School's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bella Mente Montessori Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Bella Mente Montessori Academy Charter School'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 consolidated 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bella Mente Montessori Academy Charter School's consolidated 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California
March 5, 2021

Independent Auditor's Report on State Compliance

To the Board of Education
Bella Mente Montessori Academy Charter School
Vista, California

Report on State Compliance

We have audited the Bella Mente Montessori Academy Charter School's compliance with the types of compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810, that could have a direct and material effect on each of the School's state programs identified below for the fiscal year ended June 30, 2020.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's Audit Guide *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, prescribed in Title 5, *California Code of Regulations*, Section 19810. 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 State's audit guide *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about each school's compliance with those 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. Our audit does not provide a legal determination of the School's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the School's compliance with state laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools	
A. Attendance.....	N/A
B. Teacher Certification and Misassignments.....	N/A
C. Kindergarten Continuance.....	N/A
D. Independent Study.....	N/A
E. Continuation Education.....	N/A
F. Instructional Time.....	N/A
G. Instructional Materials.....	N/A
H. Ratio of Administrative Employees to Teachers.....	N/A
I. Classroom Teacher Salaries.....	N/A
J. Early Retirement Incentive.....	N/A
K. Gann Limit Calculation.....	N/A
L. School Accountability Report Card.....	N/A
M. Juvenile Court Schools.....	N/A
N. Middle or Early College High Schools.....	N/A
O. K-3 Grade Span Adjustment.....	N/A
P. Transportation Maintenance of Effort.....	N/A
Q. Apprenticeship: Related and Supplemental Instruction.....	N/A
R. Comprehensive School Safety Plan.....	N/A
S. District of Choice.....	N/A
School Districts, County Offices of Education, and Charter Schools	
T. California Clean Energy Jobs Act.....	Yes
U. After/Before School Education and Safety Program.....	N/A
V. Proper Expenditure of Education Protection Account Funds.....	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
X. Local Control and Accountability Plan.....	Yes
Y. Independent Study - Course Based.....	N/A
Charter Schools	
AA. Attendance.....	Yes
BB. Mode of Instruction.....	Yes
CC. Nonclassroom Based Instruction/Independent Study.....	N/A
DD. Determination of Funding for Nonclassroom Based Instruction.....	N/A
EE. Annual Instructional Minutes - Classroom Based.....	Yes
FF. Charter School Facility Grant Program.....	Yes

The term N/A is used above to mean either the School did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, Bella Mente Montessori Academy Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2020.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Accordingly, this report is not suitable for any other purpose.

El Cajon, California
March 5, 2021

Auditor's Results, Findings & Recommendations

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Schedule of Auditor's Results

Year Ended June 30, 2020

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are
not considered material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

STATE AWARDS

Any audit findings disclosed that are required to be reported
in accordance with *2019-20 Guide for Annual Audits
of California K-12 Local Education Agencies?* Yes X No

Type of auditor's report issued on compliance for state programs: Unmodified

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the consolidated financial statements that are required to be reported in accordance with *Government Auditing Standards*, or the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

A. Financial Statement Findings

None

B. State Award Findings

None

BELLA MENTE MONTESSORI ACADEMY CHARTER SCHOOL

Schedule of Prior Year Audit Findings

Year Ended June 30, 2020

<u>Finding/Recommendation</u>	<u>Status</u>	<u>Explanation if Not Implemented</u>
There were no findings in the prior year audit.	N/A	N/A