



Bella Mente
Montessori Academy
Charter School

Charter #1515

Audit Report

June 30, 2022



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Bella Mente Montessori Academy Charter School

Financial Statements and Supplemental Information (Continued)

Year Ended June 30, 2022

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT **2**

FINANCIAL STATEMENTS **4**

Consolidated Statement of Financial Position.....	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses.....	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements.....	8

SUPPLEMENTARY INFORMATION **22**

Consolidating Statement of Financial Position.....	22
Consolidating Statement of Activities	23
Consolidating Statement of Functional Expenses	24
LEA Organization Structure	25
Schedule of Average Daily Attendance.....	26
Schedule of Instructional Time.....	27
Schedule of Financial Trends & Analysis	28
Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements	29
Notes to Supplementary Information.....	30

OTHER INDEPENDENT AUDITOR’S REPORTS **32**

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial statements Performed in Accordance with <i>Government Auditing Standards</i>	32
Independent Auditor’s Report on State Compliance and on Internal Control Over State Compliance	34

AUDITOR’S RESULTS, FINDINGS & RECOMMENDATIONS **37**

Summary of Auditor’s Results	37
Schedule of Findings and Questioned Costs.....	38
Schedule of Prior Year Audit Findings	39

Independent Auditor's Report

To the Board of Directors of
Bella Mente Montessori Academy Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bella Mente Montessori Academy Charter School (a nonprofit organization), which comprise the statement of consolidated financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bella Mente Montessori Academy Charter School as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bella Mente Montessori Academy Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bella Mente Montessori Academy Charter School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bella Mente Montessori Academy Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bella Mente Montessori Academy Charter School's ability to continue as a going concern for a reasonable period of time.


We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as identified in the Table of Contents and as required by the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as identified in the Table of Contents, are fairly stated, in all material respects, in relation to the 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 January 25, 2023, 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 Bella Mente Montessori Academy Charter 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 Bella Mente Montessori Academy Charter School's internal control over financial reporting and compliance.


El Cajon, California
January 25, 2023

Financial Statements

Bella Mente Montessori Academy Charter School

Consolidated Statement of Financial Position

June 30, 2022

Assets

Cash and cash equivalents	\$ 8,555,953
Accounts receivable	1,065,793
Prepaid expenses	200,207
Other assets cost of issuance	741,221
Property and equipment, net	<u>13,531,236</u>
Total Assets	<u>\$ 24,094,410</u>

Liabilities and Net Assets

Liabilities

Accounts payable - vendors	\$ 87,618
Accounts payable - grantor government	56,233
Accrued payroll expenses	148,033
Unearned revenue	451,405
Bonds and notes payable	<u>16,225,014</u>
Total Liabilities	<u>16,968,303</u>

Net Assets

Without donor restrictions	
Undesignated	7,936,729
Invested in property and equipment, net of related debt	<u>(902,583)</u>
	<u>7,034,146</u>
With donor restrictions	
Restricted for state programs	<u>91,961</u>
Total Net Assets	<u>7,126,107</u>
Total Liabilities and Net Assets	<u>\$ 24,094,410</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 2,361,409	\$ -	\$ 2,361,409
Education protection account state aid	83,960	-	83,960
Transfers in lieu of property taxes	1,709,772	-	1,709,772
Total LCFF sources	4,155,141	-	4,155,141
Federal contracts and grants	-	747,374	747,374
State contracts and grants	497,646	773,324	1,270,970
Local contracts and grants	61,715	-	61,715
Donations	77,710	-	77,710
Rental income	30,609	-	30,609
Interest income	46,598	-	46,598
Net assets released from restriction -			
Grant restrictions satisfied	1,460,840	(1,460,840)	-
Total revenue, support, and gains	6,330,259	59,858	6,390,117
Expenses and Losses			
Program services expense	4,622,831	-	4,622,831
Supporting services expense	1,116,946	-	1,116,946
Total expenses and losses	5,739,777	-	5,739,777
Change in Net Assets	590,482	59,858	650,340
Net Assets, Beginning of Year	6,443,664	32,103	6,475,767
Net Assets, End of Year	\$ 7,034,146	\$ 91,961	\$ 7,126,107

The accompanying notes are an integral part of this statement.

Bella Mente Montessori Academy Charter School

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Educational Programs</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 2,168,168	\$ 580,032	\$ 2,748,200
Other employee benefits	280,168	74,951	355,119
Payroll taxes	191,692	51,282	242,974
Fees for services:			
Management	-	169,877	169,877
Legal	-	18,323	18,323
Audit	-	9,525	9,525
Professional consulting	164,087	-	164,087
District oversight	-	41,598	41,598
Banking and service charges	-	10,263	10,263
Advertising and promotion	-	35,130	35,130
Office expenses	70,203	-	70,203
Information technology	24,472	-	24,472
Amortization	26,823	-	26,823
Occupancy	92,763	-	92,763
Conferences, conventions, and meetings	31,621	-	31,621
Debt service interest	786,875	1,273	788,148
Depreciation	392,099	-	392,099
Insurance	-	97,715	97,715
Other expenses:			
Books and supplies	358,820	-	358,820
Equipment rental and repair	6,976	-	6,976
Student transportation	28,064	-	28,064
Dues and memberships	-	15,243	15,243
Miscellaneous	-	11,734	11,734
Total expenses by function	<u>4,622,831</u>	<u>1,116,946</u>	<u>5,739,777</u>

The accompanying notes are an integral part of this statement.

Bella Mente Montessori Academy Charter School

Consolidated Statement of Cash Flows

Year Ended June 30, 2022

Cash Flows from Operating Activities	
Receipts from federal, state, and local contracts and grants	\$ 5,466,538
Receipts from property taxes	1,709,772
Receipts from donations and fundraising	77,710
Receipts from rental income	30,609
Receipts from operating interest	46,598
Payments for salaries, benefits and payroll taxes	(3,374,457)
Payments to vendors	(1,208,733)
Net Cash Provided by Operating Activities	<u>2,748,037</u>
Cash Flows from Investing Activities	
Sale of operating investments	988,878
Purchases of property and equipment	(9,306)
Net Cash Provided by Investing Activities	<u>979,572</u>
Cash Flows from Financing Activities	
Payments on bonds	(285,002)
Interest paid	(788,148)
Net Cash Used for Financing Activities	<u>(1,073,150)</u>
Net Change in Cash and Cash Equivalents	2,654,459
Cash and Cash Equivalents, Beginning of Year	<u>5,901,494</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,555,953</u>
Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities	
Change in net assets	\$ 650,340
Depreciation	392,099
Interest paid	788,148
Adjustments to reconcile change in net assets to net cash:	
(Increase) Decrease in assets	
Accounts receivable	823,160
Prepaid expenses	(67,887)
Other assets cost of issuance	26,824
Increase (Decrease) in liabilities	
Accounts payable - vendors	45,567
Accounts payable - grantor government	(24,036)
Accrued expenses and other liabilities	(28,164)
Unearned revenue	141,986
Net Cash Provided by Operating Activities	<u>\$ 2,748,037</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, 2022

A. Principal Activity and Summary of Significant Accounting Policies

Organization Structure

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 Accounting

The 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 School 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.

Basis of Consolidation

The accompanying consolidated financial statements include accounts of Bella Mente Montessori Academy Charter School 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.

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 receivables 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, 2022

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 statements 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 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, 2022.

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 statement of financial position. Net investment return/(loss) is reported in the 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 those 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, 2022

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. Some federal, state, and local contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expense. In such cases the revenue is recognized once all performance requirements have been met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and developing activities; however, the 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 \$35,130 during the year ended June 30, 2022.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of 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, 2022, 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 financial statements related to uncertain tax positions for the year ended June 30, 2022.

Bella Mente Montessori Academy Charter School

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2022

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period or when resources are received by the School prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Estimates

The preparation of 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 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.

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 65% of the School’s revenue.

The School is not at risk of losing these funding sources, as long as the School maintains 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) issues accounting standards updates and additional guidance for not-for-profit and for-profit agencies to establish consistent accounting across all organizations in the United States. The following table represents items that have been issued by FASB that became effective in the 2021-22 fiscal year:

Bella Mente Montessori Academy Charter School

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2022

Description	Date Issued
FASB Accounting Standards Update 2017-12 - <i>Derivatives and Hedging (Topic 815)</i>	Aug-17
FASB Accounting Standards Update 2018-10 - <i>Codification Improvements to Topic 842 Leases</i>	Jul-18
FASB Accounting Standards Update 2018-15 - <i>Intangibles, Goodwill and Other, Internal Use Software (Topic 350-40)</i>	Aug-18
FASB Accounting Standards Update 2018-16 - <i>Derivatives and Hedging (Topic 815)</i>	Oct-18
FASB Accounting Standards Update 2018-17 - <i>Consolidation (Topic 810)</i>	Oct-18
FASB Accounting Standards Update 2018-18 - <i>Collaborative Arrangements (Topic 808)</i>	Nov-18
FASB Accounting Standards Update 2019-02 - <i>Entertainment Film Costs (Topic 926-20)</i>	Mar-19
FASB Accounting Standards Update 2019-10 - <i>Derivatives and Hedging (Topic 815)</i>	Nov-19
FASB Accounting Standards Update 2020-07 - <i>Not-For-Profit Entities (Topic 958)</i>	Sep-20

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 School has adopted provisions of effective Accounting Standards Updates. The implementation of these items did not result in a change to financial presentation for the School.

Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through January 25, 2023, the date the financial statements were available to be issued.

B. Liquidity and Availability

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

Cash and cash equivalents	\$ 8,555,953
Accounts receivable	<u>1,065,793</u>
	<u>\$ 9,621,746</u>

Bella Mente Montessori Academy Charter School

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2022

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 Corporation 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, considering 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.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2022:

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	\$ 6,242,323	\$ -	\$ 6,242,323	\$ -
Money market and equivalent funds (at cost)	1,171,131	1,171,131	-	-
by community foundation	<u>\$ 7,413,454</u>	<u>\$ 1,171,131</u>	<u>\$ 6,242,323</u>	<u>\$ -</u>

Bella Mente Montessori Academy Charter School

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2022

D. Cash and Cash Equivalents

The School's cash and cash equivalents on June 30, 2022, consisted of the following:

	Bella Mente Charter School	BM Holdings LLC	Total
Cash in county treasury	\$ 6,242,323	\$ -	\$ 6,242,323
Cash in bank accounts	1,142,137	362	1,142,499
Investments	-	1,171,131	1,171,131
Total cash and investments	<u>\$ 7,384,460</u>	<u>\$ 1,171,493</u>	<u>\$ 8,555,953</u>

Cash in County Treasury

In order to receive apportionment and other government funding, the School has a Cash in County Treasury account with San Diego County. Once funds are deposited into the County Treasury, the School submits a transfer request to withdraw funds from the County Treasury to move funds into the School's operating account. Balances, as noted above, were held in cash accounts at the County Treasury and as such were not invested in the County Treasury's investment pool.

Cash Equivalents and Investments

The School maintains a portion of their funds in short term investments, money market funds and mutual funds (\$1,171,131 as of June 30, 2022). 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.

Cash in Bank

The remainder of the School's cash (\$1,142,499 as of June 30, 2022) is held in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. As of June 30, 2022, the School held \$929,444 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.

Bella Mente Montessori Academy Charter School

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2022

E. Accounts Receivable

As of June 30, 2022, the School's accounts receivable consisted of the following:

Federal Government	
Child Nutrition	\$ 39,114
Special Education	83,370
ESSER II	263,224
Other Federal Programs	49,332
State Government	
Special Education	45,669
SB740	216,033
Other State Programs	8,977
Local Government	
Property tax payments	281,352
Other Local Sources	
Interest	15,004
Other local sources	63,718
Total Accounts Receivable	\$ 1,065,793

F. Prepaid Expenses

As of June 30, 2022, the School's prepaid expenses consisted of the following:

Service contracts	\$ 187,635
Insurance	12,572
Total Prepaid Expenses	\$ 200,207

G. Property and Equipment

Property and equipment for Bella Mente Montessori Academy Charter School consisted of the following at June 30, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 3,352,414	\$ -	\$ -	\$ 3,352,414
Total Non-Depreciable Capital Assets	3,352,414	-	-	3,352,414
Depreciable Capital Assets				
Buildings and Improvements	11,730,396	9,306	-	11,739,702
Equipment, Furniture, and Fixtures	60,471	-	-	60,471
Total Depreciable Capital Assets	11,790,867	9,306	-	11,800,173
Total Capital Assets	15,143,281	9,306	-	15,152,587
Less Accumulated Depreciation	(1,229,252)	(392,099)	-	(1,621,351)
Capital Assets, Net	13,914,029	(382,793)	-	13,531,236

Bella Mente Montessori Academy Charter School

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2022

H. Unearned Revenue

At year end the School had performance obligations remaining to expend funds for multiple federal and state grants. As such, unexpended cash received is reflected in unearned revenue.

The following table provides information about significant changes in unearned revenue for the year ended June 30, 2022:

Unearned Revenue, beginning of period	\$	309,419
Increases in unearned revenue due to cash received during the period		407,126
Decreases in unearned revenue due to performance obligations met during the period		(265,140)
Unearned Revenue, end of period	\$	<u>451,405</u>

As of June 30, 2022, unearned revenue consisted of the following:

Federal		
ESSER III	\$	67,949
State		
Educator Effectiveness		75,844
Kitchen Infrastructure		25,000
Universal Pre-K Planning		63,981
Expanded Learning Opportunities		218,631
Total Unearned Revenue	\$	<u>451,405</u>

I. 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 (the Bonds). The Bonds are 30-year serial bonds maturing on July 1, 2048, with Series A rates being 5.00%, 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.

Bella Mente Montessori Academy Charter School

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2022

Bonds payable consist of the following at June 30, 2022:

Principal amount	\$	15,415,000
Plus unamortized premium		805,006
	\$	<u>16,220,006</u>

Future maturities of bonds payable are as follows:

Series A

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	350,000	714,000	1,064,000
2027	370,000	696,000	1,066,000
2028-2032	2,095,000	3,183,875	5,278,875
2033-2037	2,715,000	2,584,375	5,299,375
2038-2042	3,470,000	1,814,250	5,284,250
2042-2047	4,430,000	832,000	5,262,000
2048	1,025,000	25,625	1,050,625
	<u>\$ 15,415,000</u>	<u>\$ 12,091,875</u>	<u>\$ 27,506,875</u>

J. Net Assets With Donor Restrictions

The School receives grants from federal and state agencies that are restricted for specific purposes. Once the restricted purpose has been fulfilled, the assets are released from restriction. During the 2021-22 fiscal year the School received Child Nutrition and K-12 Health Education, which are multi-year restricted grants. At June 30, 2022, net assets were restricted for the following purposes:

Subject to expenditure for specified state purposes:	
K-12 Health Education	\$ 46,476
National School Lunch Program	<u>45,485</u>
Total net assets with donor restrictions	<u>\$ 91,961</u>

Bella Mente Montessori Academy Charter School

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2022

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2022.

Beginning restricted net assets	\$	32,103
Restricted grants received		1,520,698
Net assets released from restriction:		
Restricted purpose satisfied		<u>(1,460,840)</u>
Ending restricted net assets	\$	<u>91,961</u>

K. 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:

<u>Year Ended June 30</u>	<u>Capital Leases</u>
2023	1,075,729
2024	1,075,417
2025	1,074,354
2026	1,072,958
2027	1,075,375
2028-2032	5,330,854
2033-2037	5,367,604
2038-2042	5,370,709
2043-2047	5,370,041
2048	986,563
Total minimum lease payments	<u>27,799,604</u>
Less amount representing interest	<u>(13,365,785)</u>
Capital lease obligation	<u>\$ 14,433,819</u>

Bella Mente Montessori Academy Charter School

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2022

L. 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 its books and facilitates the lease for the School.

The following represents material transactions between the affiliated organizations that occurred during the 2021-22 fiscal year:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Bella Mente Montessori Charter School	BM Holdings LLC	\$ 798,925	Rent and Interest

M. 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:

<u>Description</u>	<u>Date Issued</u>	<u>Fiscal Year Effective</u>
FASB Accounting Standards Update 2016-02 - <i>Leases (Topic 842)</i>	Feb-16	2022-23
FASB Accounting Standards Update 2016-13 - <i>Credit Losses (Topic 326)</i>	Jun-16	2023-24
FASB Accounting Standards Update 2017-04 - <i>Intangibles, Goodwill & Other (Topic 350)</i>	Jan-17	2023-24
FASB Accounting Standards Update 2018-01 - <i>Leases (Topic 842)</i>	Jan-18	2022-23
FASB Accounting Standards Update 2018-11 - <i>Leases Targeted Improvements (Topic 842)</i>	Jul-18	2022-23
FASB Accounting Standards Update 2018-12 - <i>Financial Services Insurance (Topic 944)</i>	Aug-18	2024-25
FASB Accounting Standards Update 2018-14 - <i>Compensation, Retirement Benefits - Defined Benefit Plans (Topic 715-20)</i>	Aug-18	2022-23
FASB Accounting Standards Update 2018-19 - <i>Codification Improvements for Credit Losses (Topic 326)</i>	Nov-18	2023-24
FASB Accounting Standards Update 2018-20 - <i>Leases (Topic 842)</i>	Dec-18	2022-23

Bella Mente Montessori Academy Charter School

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2022

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2019-01 - <i>Leases (Topic 842)</i>	Mar-19	2022-23
FASB Accounting Standards Update 2019-09 - <i>Financial Services, Insurance (Topic 944)</i>	Nov-19	2024-25
FASB Accounting Standards Update 2019-10 - <i>Financial Instruments, Credit Losses</i>	Nov-19	2023-24
FASB Accounting Standards Update 2019-12 - <i>Income Taxes (Topic 740)</i>	Dec-19	2022-23
FASB Accounting Standards Update 2020-01 - <i>Investments (Topics 321, 323, and 815)</i>	Jan-20	2022-23
FASB Accounting Standards Update 2020-05 - <i>Revenue from Contracts with Customers (Topic 606)</i>	Jun-20	2022-23
FASB Accounting Standards Update 2020-05 - <i>Leases (Topic 842)</i>	Jun-20	2022-23
FASB Accounting Standards Update 2020-06 - <i>Debt (Topic 470-20)</i>	Aug-20	2024-25
FASB Accounting Standards Update 2020-06 - <i>Derivatives and Hedging (Topic 815-40)</i>	Aug-20	2024-25
FASB Accounting Standards Update 2020-08 - <i>Codification Improvements for Receivables (Topic 310-20)</i>	Oct-20	2022-23
FASB Accounting Standards Update 2020-10 - <i>Codification Improvements</i>	Nov-20	2025-26
FASB Accounting Standards Update 2021-02 - <i>Franchisors Revenue (Topic 952-606)</i>	Jan-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Earnings Per Share (Topic 260)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Debt Modifications and Extinguishments (Topic 470-50)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Stock Compensation (Topic 718)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Derivatives and Hedging (Topic 815-40)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-05 - <i>Leases (Topic 842)</i>	Jul-21	2022-23
FASB Accounting Standards Update 2021-07 - <i>Stock Compensation (Topic 718)</i>	Oct-21	2022-23
FASB Accounting Standards Update 2021-08 - <i>Business Combinations (Topic 805)</i>	Oct-21	2024-25

Bella Mente Montessori Academy Charter School

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2022

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2021-09 - <i>Leases (Topic 842)</i>	Nov-21	2022-23
FASB Accounting Standards Update 2021-10 - <i>Government Assistance (Topic 832)</i>	Nov-21	2022-23
FASB Accounting Standards Update 2022-01 - <i>Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method</i>	Mar-22	2024-25
FASB Accounting Standards Update 2022-02 - <i>Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures</i>	Mar-22	2023-24
FASB Accounting Standards Update 2022-03 - <i>Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</i>	Jun-22	2025-26
FASB Accounting Standards Update 2022-04 - <i>Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations</i>	Sep-22	2023-24

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.

Supplementary Information

Bella Mente Montessori Academy Charter School

Consolidating Statement of Financial Position

June 30, 2022

	Bella Mente Charter School	BM Holdings LLC	Elimination	Total
Assets				
Cash and cash equivalents	\$ 7,384,460	\$ 1,171,493	\$ -	\$ 8,555,953
Accounts receivable	1,065,793	-	-	1,065,793
Accounts receivable - related entity	69,871	14,433,819	(14,503,690)	-
Prepaid expenses	200,207	-	-	200,207
Other assets cost of issuance	-	741,221	-	741,221
Property and equipment, net	13,531,236	-	-	13,531,236
Total Assets	\$ 22,251,567	\$ 16,346,533	\$ (14,503,690)	\$ 24,094,410
Liabilities and Net Assets				
Liabilities				
Accounts payable - vendors	\$ 87,618	\$ -	\$ -	\$ 87,618
Accounts payable - related entity	-	69,871	(69,871)	-
Accounts payable - grantor government	56,233	-	-	56,233
Accrued payroll expenses	148,033	-	-	148,033
Unearned revenue	451,405	-	-	451,405
Capital lease obligations	14,433,819	-	(14,433,819)	-
Bonds and notes payable	-	16,225,014	-	16,225,014
Total Liabilities	15,177,108	16,294,885	(14,503,690)	16,968,303
Net Assets				
Without donor restrictions				
Undesignated	7,885,081	51,648	-	7,936,729
Invested in property and equipment, net of related debt	(902,583)	-	-	(902,583)
	6,982,498	51,648	-	7,034,146
With donor restrictions				
Restricted for state programs	91,961	-	-	91,961
	91,961	-	-	91,961
Total Net Assets	7,074,459	51,648	-	7,126,107
Total Liabilities and Net Assets	\$ 22,251,567	\$ 16,346,533	\$ (14,503,690)	\$ 24,094,410

See Accompanying Notes to Supplementary Information

Bella Mente Montessori Academy Charter School

Consolidating Statement of Activities

June 30, 2022

	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	\$ 2,361,409	\$ -	\$ -	\$ -	\$ 2,361,409
Education protection account state aid	83,960	-	-	-	83,960
Transfers in lieu of property taxes	1,709,772	-	-	-	1,709,772
Total LCFF sources	<u>4,155,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,155,141</u>
Federal contracts and grants	-	747,374	-	-	747,374
State contracts and grants	497,646	773,324	-	-	1,270,970
Local contracts and grants	61,715	-	-	-	61,715
Donations	77,710	-	-	-	77,710
Rental income	30,609	-	-	-	30,609
Interest income	46,598	-	798,925	(798,925)	46,598
Net assets released from restriction -					
Grant restrictions satisfied	1,460,840	(1,460,840)	-	-	-
Total revenue, support, and gains	<u>6,330,259</u>	<u>59,858</u>	<u>798,925</u>	<u>(798,925)</u>	<u>6,390,117</u>
Expenses and Losses					
Program services expense	4,608,058	-	813,698	(798,925)	4,622,831
Supporting services expense	1,116,926	-	20	-	1,116,946
Total expenses and losses	<u>5,724,984</u>	<u>-</u>	<u>813,718</u>	<u>(798,925)</u>	<u>5,739,777</u>
Change in Net Assets	605,275	59,858	(14,793)	-	650,340
Net Assets, Beginning of Year	<u>6,377,223</u>	<u>32,103</u>	<u>66,441</u>	<u>-</u>	<u>6,475,767</u>
Net Assets, End of Year	<u>\$ 6,982,498</u>	<u>\$ 91,961</u>	<u>\$ 51,648</u>	<u>\$ -</u>	<u>\$ 7,126,107</u>

See Accompanying Notes to Supplementary Information

Bella Mente Montessori Academy Charter School

Consolidating Statement of Functional Expenses

June 30, 2022

	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	\$ 2,168,168	\$ 580,032	\$ -	\$ -	\$ -	\$ 2,748,200
Other employee benefits	280,168	74,951	-	-	-	355,119
Payroll taxes	191,692	51,282	-	-	-	242,974
Fees for services:						
Management	-	169,877	-	-	-	169,877
Legal	-	18,323	-	-	-	18,323
Audit	-	9,525	-	-	-	9,525
Professional consulting	164,087	-	-	-	-	164,087
District oversight	-	41,598	-	-	-	41,598
Banking and service charges	-	10,263	-	-	-	10,263
Advertising and promotion	-	35,130	-	-	-	35,130
Office expenses	70,203	-	-	-	-	70,203
Information technology	24,472	-	-	-	-	24,472
Amortization	-	-	26,823	-	-	26,823
Occupancy	891,688	-	-	-	(798,925)	92,763
Conferences, conventions, and meetings	31,621	-	-	-	-	31,621
Debt service interest	-	1,273	786,875	-	-	788,148
Depreciation	392,099	-	-	-	-	392,099
Insurance	-	97,715	-	-	-	97,715
Other expenses:						
Books and supplies	358,820	-	-	-	-	358,820
Equipment rental and repair	6,976	-	-	-	-	6,976
Student transportation	28,064	-	-	-	-	28,064
Dues and memberships	-	15,243	-	-	-	15,243
Miscellaneous	-	11,714	-	20	-	11,734
Total expenses by function	\$ 4,608,058	\$ 1,116,926	\$ 813,698	\$ 20	\$ (798,925)	\$ 5,739,777

See Accompanying Notes to Supplementary Information

Bella Mente Montessori Academy Charter School

LEA Organization Structure

Year Ended June 30, 2022

Bella Mente Montessori Academy (Charter #1515) was established in 2013 and serves students TK through eighth grade. 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, 2024
Janet Figueroa	Member	Three Year Term Expires June 30, 2022

ADMINISTRATION

Erin Feeley, M. ED
Executive Director & Principal

Bella Mente Montessori Academy Charter School

Schedule of Average Daily Attendance

Year Ended June 30, 2022

	Second Period Report		Annual Report	
	Original B694CE36	Revised N/A	Original CC8EB55C	Revised N/A
Classroom Based Attendance				
Grades TK/K-3	203.33	N/A	181.89	N/A
Grades 4-6	115.58	N/A	104.19	N/A
Grades 7-8	60.02	N/A	55.64	N/A
Total Classroom Based Attendance	378.93	N/A	341.72	N/A
Non-Classroom Based Attendance				
Grades TK/K-3	23.99	N/A	17.99	N/A
Grades 4-6	11.07	N/A	8.46	N/A
Grades 7-8	6.59	N/A	4.94	N/A
Total Non-Classroom Based Attendance	41.65	N/A	31.39	N/A
Total ADA	420.58	N/A	373.11	N/A

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

Bella Mente Montessori Academy Charter School

Schedule of Instructional Time

Year Ended June 30, 2022

Grade Level	Annual Minutes Requirement	Actual Minutes Offered	J-13A Minutes	Total Minutes	Number of Actual Days Offered (Traditional)	J-13A Days	Total Instructional Days	Status
Transitional Kindergarten	36,000	44,955	0	44,955	180	0	180	Complied
Kindergarten	36,000	44,955	0	44,955	180	0	180	Complied
1st Grade	50,400	54,045	0	54,045	180	0	180	Complied
2nd Grade	50,400	54,045	0	54,045	180	0	180	Complied
3rd Grade	50,400	58,545	0	58,545	180	0	180	Complied
4th Grade	54,000	58,545	0	58,545	180	0	180	Complied
5th Grade	54,000	58,545	0	58,545	180	0	180	Complied
6th Grade	54,000	65,415	0	65,415	180	0	180	Complied
7th Grade	54,000	65,415	0	65,415	180	0	180	Complied
8th Grade	54,000	65,415	0	65,415	180	0	180	Complied

See Accompanying Notes to Supplementary Information

Bella Mente Montessori Academy Charter School

Schedule of Financial Trends & Analysis

Year Ended June 30, 2022

	Budget 2023	2022	2021	2020
Revenues	\$ 6,063,510	\$ 6,390,117	\$ 7,444,333	\$ 774,948
Expenses	<u>6,626,432</u>	<u>5,724,984</u>	<u>5,696,342</u>	<u>387,380</u>
Change in Net Assets	<u>(562,922)</u>	<u>665,133</u>	<u>1,747,991</u>	<u>387,568</u>
Ending Net Assets	<u>\$ 6,511,537</u>	<u>\$ 7,074,459</u>	<u>\$ 6,409,326</u>	<u>\$ 4,661,335</u>
Unrestricted Net Assets	<u>\$ 6,511,537</u>	<u>\$ 6,982,498</u>	<u>\$ 6,377,223</u>	<u>\$ 4,555,576</u>
Unrestricted net assets as a percentage of total expenses	<u>98.27%</u>	<u>121.97%</u>	<u>111.95%</u>	<u>1176.00%</u>
Total Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ADA at P2	<u>380</u>	<u>420</u>	<u>N/A</u>	<u>589</u>

The School's ending net assets has increased by \$2,413,124 (51.77%) over the past two fiscal years. The significant increase is in large due to additional funding received as a result of the COVID-19 pandemic during those fiscal years.

Average daily attendance (ADA) has decreased by 169 over the past two years. As a result of the COVID-19 pandemic there was no reporting for the 2020-21 fiscal year. Each LEA was funded based on the 2019-20 average daily attendance (ADA) reported.

The 2022-23 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to decrease by \$562,922 and ADA is projected to be 380 for the 2022-23 fiscal year.

Bella Mente Montessori Academy Charter School

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements Year Ended June 30, 2022

June 30, 2022 annual financial alternative form net assets:	\$ 7,074,459
Adjustments and reclassifications:	<u>-</u>
June 30, 2022 audited financial statements net assets:	<u>\$ 7,074,459</u>

See Accompanying Notes to Supplementary Information

Bella Mente Montessori Academy Charter School

Notes to Supplementary Information
Year Ended June 30, 2022

A. Purpose of Schedules

Consolidating Statement of Financial Position

This schedule provides the information which consolidates the School's overall statement of net position, with eliminations for activities between the School and the LLC.

Combining Statement of Activities

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

Combining Statement of Functional Expenses

This schedule provides the information by subdivision which combines into the School's overall statement of functional expenses.

LEA Organization Structure

This schedule provides information about the School's charter number, 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 School. 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 provides the information necessary to determine if the Charter Schools have complied with Education Code §47612 & §47612.5 which require the following:

- 1) EC §47612: As a condition of apportionment 175 school days must be offered for traditional calendar. If a multi-track calendar is utilized, each track must offer 175 school days.
- 2) EC §47612.5: As a condition of apportionment the following annual instructional minutes must be offered:

• To pupils in Kindergarten	36,000 minutes
• To pupils in grades 1 to 3	50,400 minutes
• To pupils in grades 4 to 8	54,000 minutes
• To pupils in grades 9 to 12	64,800 minutes

Bella Mente Montessori Academy Charter School

Notes to Supplementary Information (Continued)

Year Ended June 30, 2022

Compliance with Education Code §47612 involves offering a minimum number of annual instructional minutes as defined by grade level.

An LEA that closed due to a qualifying emergency in the 2021-22 fiscal year may submit a Form J-13A to avoid a penalty for not meeting the annual instructional day requirements. The School did not have an emergency closure and as such there are no credited days to account for on the Schedule of Instructional Time.

Schedule of Financial Trends & Analysis

This schedule displays summarized information from the current year and two previous years, along with budget information for the upcoming year. The information from this schedule is used to evaluate whether there are any financial indicators the School will not be able to continue operations in the next fiscal year. Based upon the information presented, the School appears to have sufficient reserves to continue operations for the 2022-23 fiscal year.

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements

This schedule provides information necessary to reconcile between the audited financial statements and the financial data submitted to the sponsoring school district via the unaudited actual financial report.

Other Independent Auditor's Reports

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

To the Board of Directors
Bella Mente Montessori Academy Charter School

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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bella Mente Montessori Academy Charter School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bella Mente Montessori Academy Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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.

Wilkinson Hadley King + Co LLP

El Cajon, California
January 25, 2023

Independent Auditor's Report on State Compliance and on Internal Control Over
State Compliance

To the Board of Directors
Bella Mente Montessori Academy Charter School

Report on Compliance for Applicable State Programs

Opinion on Each Applicable State Program

We have audited Bella Mente Montessori Academy Charter School's compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 applicable to the Charter School's statutory requirements identified below for the year ended June 30, 2022.

In our opinion, Bella Mente Montessori Academy Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its applicable state programs for the year ended June 30, 2022.

Basis for Opinion on Each Applicable State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 (the Audit Guide). Our responsibilities under those standards and the Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Bella Mente Montessori Academy Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each applicable state program. Our audit does not provide a legal determination of Bella Mente Montessori Academy Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Bella Mente Montessori Academy Charter School's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Bella Mente Montessori Academy Charter School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide will always detect material noncompliance when it exists. 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:

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Bella Mente Montessori Academy Charter School’s compliance with the requirements of each applicable state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Bella Mente Montessori Academy Charter School’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Bella Mente Montessori Academy Charter School’s internal control over state compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Bella Mente Montessori Academy Charter School’s internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine the Charter School’s compliance with the state laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
<u>School Districts, County Offices of Education, and Charter Schools</u>	
T. California Clean Energy Jobs Act.....	N/A
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
Z. Immunizations.....	Yes
AZ. Educator Effectiveness.....	Yes
BZ. Expanded Learning Opportunities Grant (ELO-G).....	Yes
CZ. Career Technical Education Incentive Grant.....	N/A
DZ. In Person Instruction Grant.....	Yes
<u>Charter Schools</u>	
AA. Attendance.....	Yes
BB. Mode of Instruction.....	Yes
CC. Nonclassroom-Based Instruction/Independent Study.....	Yes
DD. Determination of Funding for Nonclassroom-Based Instruction.....	N/A
EE. Annual Instructional Minutes - Classroom Based.....	Yes
FF. Charter School Facility Grant Program.....	Yes

N/A – The Charter School did not offer the program during the current fiscal year or the program applies to a different type of Local Education Agency.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over State Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Wilkinson Hadley King + LLP
El Cajon, California
January 25, 2023

Auditor's Results, Findings & Recommendations

Bella Mente Montessori Academy Charter School

Summary of Auditor's Results

Year Ended June 30, 2022

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 *2020-21 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, 2022

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, or the *2021-22 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting* (the Audit Guide). Finding codes as identified in the Audit Guide 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. Federal Award Findings

None

C. State Award Findings

None

Bella Mente Montessori Academy Charter School

Schedule of Prior Year Audit Findings

Year Ended June 30, 2022

<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