PENFIELD MONTESSORI ACADEMY, INC.
Milwaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2020 and 2019

PENFIELD MONTESSORI ACADEMY, INC.

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As of and for the Years Ended June 30, 2020 and 2019

INDEPENDENT AUDITORS' REPORT

Board of Directors
Penfield Montessori Academy, Inc.
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Penfield Montessori Academy, Inc. ("PMA"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PMA as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, and other supplemental information are presented for purposes of additional analysis and are 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 information is 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 October 20, 2020 on our consideration of PMA'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 PMA'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 PMA's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Milwaukee, Wisconsin
October 20, 2020

PENFIELD MONTESSORI ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION
As of June 30, 2020 and 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 420,289	$ 96,893
Accounts receivable	5,945	18,565
Grants receivable	123,295	200,857
Contributions receivable	73,100	-
Other current assets	6,312	6,802
Total Current Assets	628,941	323,117
NONCURRENT ASSETS		
Beneficial interest in Friends of Penfield Children's Center, Inc.	2,257,921	2,766,815
TOTAL ASSETS	$ 2,886,862	$ 3,089,932

LIABILITIES AND NET ASSETS (DEFICIT)

	2020	2019
CURRENT LIABILITIES		
Accrued expenses	$ 83,634	$ 334,028
Accounts payable to Penfield Children's Center, Inc. and Affiliates	11,404	2,407
Total Current Liabilities	95,038	336,435
LONG-TERM LIABILITIES		
Loan payable	296,200	-
Total Liabilities	391,238	336,435
NET ASSETS (DEFICIT)		
Net assets (deficit) without donor restrictions	148,603	(29,501)
Net assets with donor restrictions	2,347,021	2,782,998
Total Net Assets (Deficit)	2,495,624	2,753,497
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 2,886,862	$ 3,089,932

See accompanying notes to financial statements.

PENFIELD MONTESSORI ACADEMY, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2020 and 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	Without Donor Restrictions	With Donor Restrictions	2019 Total
SUPPORT AND REVENUE						
Government grants and contracts:						
Preschool / Flowthrough	$ 37,212	$ -	$ 37,212	$ 41,788	$ -	$ 41,788
Special education categorical	205,976	-	205,976	187,809	-	187,809
State aid	828,723	-	828,723	655,044	-	655,044
Title I and Title II	37,007	-	37,007	37,943	-	37,943
U.S.D.A. food program	54,947	-	54,947	73,840	-	73,840
Wisconsin Charter School Program	134,486	-	134,486	205,789	-	205,789
Other government grants	-	-	-	22,586	-	22,586
Medicaid revenue	53,962	-	53,962	65,815	-	65,815
Child care	90,182	-	90,182	101,864	-	101,864
Contributions	288,281	115,000	403,281	13,725	58,600	72,325
In-kind contributions	106,070	-	106,070	99,343	-	99,343
Other revenue	2,082	-	2,082	51,403	-	51,403
Change in beneficial interest	-	91,106	91,106	-	179,714	179,714
Net assets released from restriction	642,083	(642,083)	-	1,099,984	(1,099,984)	-
Total Support and Revenue	2,481,011	(435,977)	2,045,034	2,656,933	(861,670)	1,795,263
EXPENSES						
Program services	1,696,557	-	1,696,557	2,021,768	-	2,021,768
Management and general	566,958	-	566,958	544,076	-	544,076
Development and fundraising	39,392	-	39,392	29,359	-	29,359
Total Expenses	2,302,907	-	2,302,907	2,595,203	-	2,595,203
CHANGE IN NET ASSETS	178,104	(435,977)	(257,873)	61,730	(861,670)	(799,940)
NET ASSETS (DEFICIT) **-** Beginning of Year	(29,501)	2,782,998	2,753,497	(91,231)	3,644,668	3,553,437
NET ASSETS (DEFICIT) - END OF YEAR	$ 148,603	$ 2,347,021	$ 2,495,624	$ (29,501)	$ 2,782,998	$ 2,753,497

See accompanying notes to financial statements.

PENFIELD MONTESSORI ACADEMY, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (257,873)	$ (799,940)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Bad debt expense	-	5,500
Change in beneficial interest	(91,106)	(179,714)
Changes in assets and liabilities:		
Accounts receivable	12,620	(19,657)
Accounts receivable from Penfield Children's Center, Inc. and Affiliates	-	10,719
Grants receivable	77,562	(168,175)
Contributions receivable	(73,100)	-
Other current assets	490	11,528
Accrued expenses	(250,394)	165,613
Accounts payable to Penfield Children's Center, Inc. and Affiliates	8,997	2,407
Insurance advance	-	(40,701)
Net Cash Flows from Operating Activities	(572,804)	(1,012,420)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from beneficial interest	600,000	1,050,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of loan payable	296,200	-
Net Change in Cash and Cash Equivalents	323,396	37,580
CASH AND CASH EQUIVALENTS - Beginning of Year	96,893	59,313
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 420,289	$ 96,893

PENFIELD MONTESSORI ACADEMY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program services	Management and general	Development and fundraising	Total
Salaries and wages	$ 1,011,492	$ 266,153	$ -	$ 1,277,645
Fringe benefits	159,536	39,262	-	198,798
Payroll taxes	102,003	24,368	-	126,371
Total salaries and benefits	1,273,031	329,783	-	1,602,814
Professional services and consultant fees	38,673	142,856	25,200	206,729
Transportation	19,445	-	-	19,445
Food supplies	63,221	3,944	-	67,165
Conferences and meetings	37,994	11,558	-	49,552
Occupancy	130,346	33,767	-	164,113
Dues and subscriptions	1,533	11,761	-	13,294
Employee transportation	14,953	259	-	15,212
Promotion	-	-	8,455	8,455
Maintenance and repairs	74,184	19,217	-	93,401
Classroom and administrative supplies	43,177	-	-	43,177
Postage and office supplies	-	2,995	-	2,995
Telephone	-	10,818	-	10,818
Other	-	-	5,737	5,737
Total Expenses	$ 1,696,557	$ 566,958	$ 39,392	$ 2,302,907

See accompanying notes to financial statements.

PENFIELD MONTESSORI ACADEMY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program services	Management and general	Development and fundraising	Total
Salaries and wages	$ 1,040,523	$ 250,684	$ -	$ 1,291,207
Fringe benefits	160,456	63,738	-	224,194
Payroll taxes	109,830	18,914	-	128,744
Total salaries and benefits	1,310,809	333,336	-	1,644,145
Professional services and consultant fees	154,527	103,797	25,200	283,524
Transportation	23,309	-	-	23,309
Food supplies	89,250	1,806	-	91,056
Conferences and meetings	65,019	923	-	65,942
Occupancy	133,488	34,232	-	167,720
Dues and subscriptions	601	15,817	-	16,418
Employee transportation	18,089	-	-	18,089
Promotion	-	-	4,159	4,159
Maintenance and repairs	116,779	29,947	-	146,726
Classroom and administrative supplies	104,508	7,622	-	112,130
Postage and office supplies	5,389	1,751	-	7,140
Provision for bad debt	-	5,500	-	5,500
Telephone	-	9,345	-	9,345
Total Expenses	$ 2,021,768	$ 544,076	$ 29,359	$ 2,595,203

See accompanying notes to financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Basis of Statement Presentation

The financial statements include the accounts of Penfield Montessori Academy, Inc. (herein referred to as "PMA"). The financial statements have been prepared on the accrual basis of accounting. Penfield Children's Center, Inc. ("Penfield Children's Center") is the sole member of PMA. Activity within these financial statements is consolidated within the financial statements of Penfield Children's Center. The accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Nature of Activities

PMA is a corporation established in 2016. It is an exempt organization under section 501(c)(3) of the Internal Revenue Code. PMA is a school for all abilities. It opened in September of 2016, with three classrooms for children ages three to five in a Montessori environment. In fiscal year 2020, PMA had six classrooms for children ages three to eight. When fully enrolled, PMA will have classrooms for three year old kindergarten through eighth grade.

Cash and Cash Equivalents

For the purpose of the statements of cash flow, PMA considers all highly liquid debt instruments purchased with a maturity of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents.

PMA uses a financial institution in which PMA maintains cash balances that, at times, may exceed federally insured limits. PMA has not experienced any losses in such accounts.

Accounts Receivable

PMA assesses collectibility of amounts due prior to the recognition of revenues. Accounts receivable are recorded at net realizable value when the amounts are due in accordance with contracts with customers. Accounts are written off through bad debt expense when PMA has exhausted all collection efforts and determines accounts are impaired based on changes in credit worthiness. No amounts were written-off in 2020 and 2019.

Grants Receivable

Grants receivable represents the outstanding balance of government and other grants due to PMA based upon costs incurred, services completed and terms identified in the contacts. Management determines the need for an allowance for doubtful accounts based on historical collection experience and a review of current grants receivable balances. Accounts written-off are charged against the allowance. No allowance for doubtful accounts is considered necessary as of June 30, 2020 and 2019.

Contributions Receivable

Unconditional promises to give (pledges) are recognized as revenue in the period the promise is received. Accounts considered at risk for collection have an allowance provided. Accounts written-off are charged against the allowance. An allowance for doubtful accounts for contributions receivable of $2,500 and $0 was recorded at June 30, 2020 and 2019, respectively.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

The land, buildings, and other improvements used by PMA for operations are leased from PMA Building, LLC ("PMA Building"), a related party (Note 8). Expenditures for property and equipment are recorded at cost. PMA follows a policy whereby items having a cost of less than $2,500 are charged to operations in the year of purchase. Depreciation on property and equipment is computed using the straight line method over the estimated useful lives of the assets. All equipment used by PMA is fully depreciated at June 30, 2020 and 2019.

Beneficial Interest in Friends of Penfield Children's Center, Inc.

Accounting guidance allows that a specified beneficiary recognize its rights to the assets held by a recipient organization as an asset. PMA has recorded its estimated equity in Friends of Penfield Children's Center, Inc. ("Friends") as a beneficial interest on the statements of financial position. The change in the beneficial interests is recorded in the statements of activities as support and revenue.

Net Assets (Deficit)

PMA presents its financial statements in accordance with current accounting guidance, under which PMA is required to report information regarding its financial position and activities according to classes of net assets as follows:

Net Assets (Deficit) Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations or time restrictions. PMA's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time.

Net Assets With Donor Restrictions - Net assets subject to donor imposed stipulations that expire by passage of time, can be fulfilled and removed by actions of PMA pursuant to those stipulations, or that they be maintained permanently by PMA.

Contributions and Grants

PMA adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU No. 2018-08") during the year ending June 30, 2020, using the modified prospective transition method. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Unconditional contributions or grants are recognized when cash, securities, other assets, or promises to give are received. Conditional contributions or grants, 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 met. Adopting ASU No. 2018-08 did not have a significant impact on the financial statements.

Most of PMA’s federal, state and other grants or contracts are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. As of June 30, 2020 there was approximately $493,000 of conditional grant revenue, which is expected to be recognized in future years when the conditions are met.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Contributions and Grants (continued)

Unconditional contributions, including unconditional promises to give, are recorded in the period received. All unconditional contributions restricted for a specific purpose by a donor are recorded as contributions with donor restrictions. When a donor restriction is met or expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. All grants with government agencies are reported as without donor restrictions when PMA satisfies any conditions.

Contracts with Customers

PMA adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU No. 2014-09"), and all related amendments during the year ending June 30, 2020, using the modified retrospective transition method. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Adoption of ASU No. 2014-09 did not have a significant impact on the financial statements, but disclosures related to revenue recognition were enhanced.

A portion of PMA's revenues results from the sale of services under contracts with customers. Revenue under contracts with customers is recognized when the customer obtains control of the service and is recognized to depict the transfer of promised services in an amount that reflects the consideration to which PMA expects to be entitled in exchange for those services.

A performance obligation is a distinct service or a bundle of services promised in a contract. PMA identifies performance obligations at the inception of a contract and allocates the transaction price to individual performance obligations to appropriately depict PMA's performance in transferring control of the promised services to the customer. Contracts with customers do not include a significant financing component.

Medicaid Revenue: Medicaid revenue consist of revenues relating to PMA's therapies and nursing services. The performance obligation is to perform the indicated services for the customers under the contract. Revenues are recognized at a point in time as services are provided to the customer, which are then billed by PMA to the customer or third party payor. Medicaid revenue consist of contracts with individual patients and their caregivers that are mostly insured by Medicaid/Medicaid HMO.

PMA records Medicaid revenue from these contracts at an amount that reflects the consideration which it expects to be entitled to receive in exchange for the services provided. The transaction prices are generally listed in the contracts or individual client agreements.

Child Care: PMA provides child care services. PMA and parents have agreements determining the service to be provided and fee. The parents make payments monthly in the form of cash or government voucher subsidies. The services are provided over time as children are cared for each day. Revenue is recognized as the services are provided.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Contracts with Customers (continued)

PMA determined that Medicaid and child care revenue recognized and the timing of when the revenue is recognized under the new standard is materially the same as under the previous guidance. As a result, there was no cumulative adjustment. There are no expressed or implied warranties. There is no revenue recognized for services performed in prior periods. There are no contract assets or liabilities with these revenue sources.

Income Taxes

PMA is an exempt organization for income tax purposes under Section 501(c)(3) of the Internal Revenue Code. PMA files information returns in the U.S. Federal jurisdiction and the State of Wisconsin. PMA is subject to U.S. federal or state tax examinations by tax authorities beginning with the year of PMA's inception.

PMA follows current accounting guidance, which clarifies the accounting for uncertainty in income taxes recognized in PMA's financial statements. The codification prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The codification also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return.

PMA did not have unrecognized tax benefits as of June 30, 2020 and 2019 and does not expect this to change significantly over the next 12 months. PMA will recognize interest and penalties, if any, associated with PMA's tax positions as a component of unrelated business income tax expense on the statements of activities. As of June 30, 2020 and 2019, PMA has not accrued tax, interest or penalties related to uncertain tax positions. PMA did not have any income tax expense in 2020 and 2019.

Volunteer Services

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills and are provided by individuals possessing those skills. During 2020 and 2019, PMA benefited from 1,696 and 771 volunteer hours, respectively, which do not meet the requirements for recognition in the financial statements.

Functional Allocation of Expenses

Directly identifiable expenses are charged to program services, management and general, or development and fundraising. Certain occupancy, maintenance and repairs expenses are allocated between program and management and general based on direct labor costs. The administrative fee paid to Penfield Children's Center is allocated between management and general and development and fundraising based on Penfield Children's Center staff time and efforts directly associated with PMA. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of PMA.

Reclassification

For comparability, certain 2019 amounts have been reclassified to conform with classifications adopted in 2020. The reclassifications have no effect on reported amounts of net assets or change in net assets.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Liquidity and Availability of Resources

The following reflects PMA's financial assets as of June 30, reduced by amounts not available within one year for general use because of contractual or donor-imposed restrictions. Amounts not available include amounts held by Friends for PMA operations that will be drawn when the need presents itself.

	2020	2019
Total assets, at year-end	$ 2,886,862	$ 3,089,932
Less non-financial assets:		
Other current assets	(6,312)	(6,802)
Financial assets, at year-end	2,880,550	3,083,130
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with time and purpose restrictions	(2,347,021)	(2,782,998)
Financial assets available to meet cash needs for general expenditures within one year	$ 533,529	$ 300,132

PMA's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. PMA is dependent on Friends for distribution of funds for PMA's operational needs. In addition, all government grants and contracts were renewed through 2021. PMA receives the majority of its support and revenue during the school year.

Subsequent Events

PMA has evaluated events through October 20, 2020, which is the date the financial statements were approved and available to be issued.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. PMA will be required to apply the standard for annual periods beginning after December 15, 2021 (2023). Early adoption is permitted. Management is currently evaluating the impact of ASU No. 2016-02 on its financial statements.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In August 2018, FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, Fair Value Measurement. The amendments are based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting - Chapter 8: Notes to Financial Statements*, which FASB finalized on August 28, 2018. ASU No. 2018-13 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2019 (2021). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2018-13 will have on its financial statements.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU No. 2020-07"). ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021 (2022). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2020-07 will have on its financial statements.

NOTE 2 - Management's Plan

PMA has incurred deficit changes in net assets from its first year of operations through 2020. PMA's continuing operations and operational shortfalls are supported by campaign funding from a related organization, Friends. The resulting cash and pledges from the Friends campaign, which raised funds for capital projects and operational shortfalls at PMA, has been recognized as a beneficial interest in the financial statements. While there may be losses in operations during future years, Friends will release funds as necessary to meet the cash flow needs of PMA and a corresponding change in the beneficial interest and net assets with donor restrictions will be recorded. As of June 30, 2020 and 2019, all cash needs were met.

NOTE 3 - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. A three-level hierarchy for fair value measurements is based upon the transparency of inputs to the valuation of the asset as of the measurement date.

NOTE 3 - Fair Value Measurements (continued)

The three levels are defined as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. This includes 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 inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while PMA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

PMA classifies the beneficial interest in Friends within Level 3 of the fair value hierarchy. The fair value of the beneficial interest in Friends is estimated using the fair value of the Friends assets' proportion that PMA is to receive, expected future payments to be received, and present value discount.

Financial assets measured at fair value on a recurring basis are below:

	Fair Value Measurement at June 30, 2020			
	Total	Level 1	Level 2	Level 3
Beneficial interest in Friends	$ 2,257,921	$ -	$ -	$ 2,257,921

	Fair Value Measurement at June 30, 2019			
	Total	Level 1	Level 2	Level 3
Beneficial interest in Friends	$ 2,766,815	$ -	$ -	$ 2,766,815

NOTE 3 - Fair Value Measurements (continued)

The changes in Level 3 assets measured at fair value on a recurring basis summarized below:

	Beneficial Interest in Friends
Balance, June 30, 2018	$ 3,637,101
Distributions to PMA from Friends	(1,050,000)
Change in beneficial interest	179,714
Balance, June 30, 2019	$ 2,766,815
Distributions to PMA from Friends	(600,000)
Change in beneficial interest	91,106
Balance, June 30, 2020	$ 2,257,921

NOTE 4 - Paycheck Protection Program Loan Payable

PMA participated in and received funds under the Paycheck Protection Program (“PPP”) through the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act of 2020 in the amount of $296,200. Loans under the PPP are administered by the Small Business Administration (“SBA”) and are designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. The current terms with the bank call for the PPP loan to be repaid in seventeen monthly installments with the first payment expected to be made in fiscal 2022. Subsequent changes to the program allow for loan payments to be deferred up to ten months after the covered period ends. PMA's management elected the 8-week covered period and anticipates submitting their application for forgiveness during fiscal year 2021. There is no prepayment penalty. PPP loans can be forgiven to the extent that employee levels are maintained and the loan principal is used for eligible expenses. Any portion of the loan balance that is not forgiven will carry interest at 1% and will have a maturity of two years, although PMA may request the balance to be paid within five years.

PMA has assessed its application and PPP guidance and has determined to record the PPP loan as a financial liability under Accounting Standards Codification Topic 470. As of June 30, 2020, PMA recorded the $296,200 of PPP proceeds as a loan payable. PMA will record any forgiveness of the PPP loan when PMA is legally released of any liability.

NOTE 5 - Net Assets With Donor Restrictions

Net assets with donor restrictions pertain to the following at June 30:

	2020	2019
Beneficial interest in Friends	$ 2,257,921	$ 2,766,815
Time restricted	73,100	-
Other purpose restricted	16,000	16,183
Net assets with donor restrictions	$ 2,347,021	$ 2,782,998

NOTE 6 - Concentration of Risk

PMA receives grants from various government agencies whose programs rely on the availability of funding from the State of Wisconsin with a majority of state grants passed through the Department of Public Instruction ("DPI").

PMA also receives funding from a supporting organization, Friends. Friends conducted a fundraising campaign on behalf of PMA and distributes funds to PMA as necessary to support operational activities. The fundraising campaign ended on June 30, 2019. Friends determined that capital campaign surplus would only benefit PMA. Therefore, PMA recorded its interest in the assets of Friends as a beneficial interest on the statements of financial position. The beneficial interest in Friends was $2,257,921 and $2,766,815 at June 30, 2020 and 2019, respectively.

Support and revenues and accounts receivable from DPI and Friends as of and for the years ending June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Support and revenue:		
Grants from DPI	$ 1,299,981	$ 1,204,543
Change in beneficial interest in Friends	91,106	179,714
Total	$ 1,391,087	$ 1,384,257
Receivables:		
Grants from DPI	$ 123,295	$ 197,122

NOTE 7 - In-kind Contributions

The value of in-kind services and rent included as contributions in the financial statements and the corresponding expenses for the year ended June 30, are as follows:

	2020	2019
Consulting services donation	$ -	$ 3,010
Supplies	9,737	-
Rent donation	96,333	96,333
Totals	$ 106,070	$ 99,343

NOTE 8 - Related Parties

Penfield Children's Center and Penfield Children's Center affiliates, such as Friends and PMA Building paid for certain goods and services on behalf of PMA. These expenses are reimbursed by PMA as funding becomes available. As of June 30, 2020 and 2019, the net amount due to Penfield Children's Center and Affiliates was $11,404 and $2,407, respectively. There were no receivables from Penfield Children's Center as of June 30 2020 and 2019.

PMA pays an administrative fee to Penfield Children's Center for administrative services including human resources, finance, fundraising and development, and other clerical functions. For the years ended June 30, 2020 and 2019, the administrative fee was $84,000.

PMA leases the land, buildings, and other improvements for use in operations from PMA Building under a five year lease agreement ending June 30, 2021. Donated rent from PMA Building is disclosed in Note 7. Penfield Children's Center is the sole member of PMA Building.

PMA is dependent on Friends for funding of PMA's operational needs. Penfield Children's Center is the sole member of Friends and several board members of Friends are also board members of PMA and Penfield Children's Center.

NOTE 9 - Employee Retirement Plan

PMA has a 403(b) employee retirement plan for eligible employees. PMA matches employee contributions up to 3% of the employee's gross wages. PMA contributed $21,921 and $17,677 to the plan during 2020 and 2019, respectively.

NOTE 10 - Commitments and Contingencies

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such audits could result in claims against PMA for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

OTHER INDEPENDENT AUDITORS' REPORTS

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*

INDEPENDENT AUDITORS' REPORT

Board of Directors
Penfield Montessori Academy, Inc.
Milwaukee, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Penfield Montessori Academy, Inc. ("PMA"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PMA's internal control over financial reporting (internal control) to determine the 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 PMA's internal control. Accordingly, we do not express an opinion on the effectiveness of PMA'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PMA'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 determination of financial statement amounts. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Milwaukee, Wisconsin
October 20, 2020

REPORT ON COMPLIANCE FOR THE STATE PROGRAM WITH LIMITED REQUIRED PROCEDURES AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Penfield Montessori Academy, Inc.
Milwaukee, Wisconsin

Report on Compliance for the State Program

We have audited Penfield Montessori Academy, Inc.'s ("PMA") compliance with the types of compliance requirements described in the *Audit Program for Special Education and School-Age Parents Aid : Part One*, included in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that are required to be conducted on PMA's state program with limited required procedures for the year ended June 30, 2020. PMA's state program that has limited required procedures is identified in the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the limited compliance requirements for PMA's state program with limited required procedures based on our audit of the limited procedures required. 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 the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. An audit includes examining, on a test basis, evidence about PMA's compliance with those limited requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the limited compliance requirements for the state program with limited required procedures. However, our audit does not provide a legal determination of PMA's compliance.

Opinion on the State Program

In our opinion, PMA complied, in all material respects, with the limited requirements referred to above for the state program with limited required procedures for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of PMA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PMA's internal control over compliance with the types of limited requirements that could have an effect on the state program with limited required procedures to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the limited compliance requirements for the state program with limited required procedures and to test and report on internal control over compliance in accordance with the *Wisconsin Public School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PMA's internal control over 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Milwaukee, Wisconsin
October 20, 2020

SUPPLEMENTAL INFORMATION

PENFIELD MONTESSORI ACADEMY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

FEDERAL AWARDS Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through Wisconsin Department of Public Instruction			
Special Education Grants to States	84.027	2020-408138-DPI-IDEA-F-341	$ 23,807
Special Education Preschool Grants	84.173	2020-408138-DPI-IDEA-P-347	13,405
Total Special Education Cluster (IDEA)			37,212
Supporting Effective Instruction State Grants	84.367	2020-408138-TIIA-365	2,691
Title I Grants to Local Educational Agencies	84.010	2020-408138-TIA-141	24,740
Student Support and Academic Enrichment Grant	84.424	2020-408138-TIVA-DPI-381	9,576
Wisconsin Charter Schools Program	84.282	2020-408138-DPI-WCSP1-360	134,486
Total U.S. Department of Education			208,705
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Wisconsin Department of Public Instruction			
School Breakfast Program	10.553	2020-408138-DPI-SB-SEVERE-546	13,143
National School Lunch Program	10.555	2020-408138-DPI-NSL-547; 2020-408138-DPI-NSLAE-566	38,075
Commodities Credit	10.555	Not available	2,960
Total U.S. Department of Agriculture Child Nutrition Cluster			54,178
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 262,883

STATE AWARDS Grantor/Pass-Through Grantor/Program Title	State ID Number	Grantor's Number	State Expenditures
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			
Direct award			
Charter Schools State Aid	255.109	408138-115	$ 828,723
Special Education and School Age Parents	255.101	408138-100	205,976
State School Lunch Aid	255.102	408138-107	769
Educator Effective Eval Sys Grants Public	255.940	408138-154	1,280
TOTAL EXPENDITURES OF STATE AWARDS			$ 1,036,748

See accompanying notes to the schedule of expenditures of federal and state awards.

Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "schedule") includes the federal and state award activity of PMA under programs of the federal and state government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of the *Wisconsin Public School District Audit Manual* ("Manual"). Because the schedule presents only a selected portion of the operations of PMA, it is not intended to and does not present the financial position, changes in net assets or cash flows of PMA.

Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the applicable cost principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Eligible Costs for Special Education

Eligible costs for special education were $560,683 for the year ended June 30, 2020. The estimated aid reimbursement is $139,049 for the 2020-2021 fiscal year.

Indirect Cost Rate

PMA has elected not to use the 10-percent de minimis indirect cost rate.

PENFIELD MONTESSORI ACADEMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Section I: Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were in accordance with GAAP:	unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	____________	yes	X	no
Significant deficiency(ies) identified?	____________	yes	X	none reported
Noncompliance material to financial statements noted?	____________	yes	X	no

Special Education and School-Age Parents Aid

Internal control over compliance:				
Material weakness(es) identified?	____________	yes	X	no
Significant deficiency(ies) identified?	____________	yes	X	none reported
Type of auditors' report issued on compliance for Special Education and School-Age Parents Aid:	unmodified			
Any audit findings disclosed that are required to be reported by the *Wisconsin Public School District Audit Manual*?	____________	yes	X	no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Concluded)
For the Year Ended June 30, 2020

Section II: Financial Statement Findings

There were no findings.

Section III: Special Education and School Age Parents Aid Findings

There were no findings.

PENFIELD MONTESSORI ACADEMY, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2020

2019-001 **State ID Number:** 255.101
Agency: Wisconsin Department of Public Instruction
Program: Special Education and School Age Parents
Criteria: According to the guidance provided in the State of Wisconsin Statutes section 115.88 "staff must be appropriately licensed for a special education work assignment listed in the state statute in order for their salary and benefits to be eligible for aid".
Statement of condition and context: The No Valid License ("NVL") report created and provided by the Wisconsin Department of Public Instruction ("DPI") included an individual for which no valid license was found. Salary and benefits for this individual totaled $50,094 in 2019. PMA reviewed the NVL report and believes the individual was appropriately licensed and the salary and benefits are eligible for aid. The salary and benefits of $50,094 remained coded to Project 011. Accordingly, this information was communicated to DPI on the No Valid License / Questioned Cost Worksheet for ultimate resolution between PMA and DPI.
Cause: There was a timing difference between when the NVL report was prepared and when the license was issued.
Effect: Salary and benefit amounts for the individual with the licensure mismatch may have been improperly reported in Project 011 and could have been improperly included in the aid calculation.
Questioned costs: The amount of questioned costs is $50,094.
Recommendation: We recommend management continue their discussions with DPI to determine the allowability of these expenditures. We recommend management review and revise, as necessary, existing processes to monitor the licensing status of special education teachers to ensure that they are appropriately licensed prior to being hired.
Management's response: For this finding, the license in question was received for the school year but not yet reported on DPI reports due the timing of the reports. On October 3, 2019, DPI acknowledged the teacher was licensed and her salary could be reported in Project 011. Processes for proper licensure of staff are in place during the recruitment and contracting process as well as in the staff oversight process by PMA management.

This finding was addressed in 2020.

Penfield Montessori Academy, Inc.
Schedule of Revenue and Expenditures
For the Year Ended June 30, 2020

Total Revenue

CATEGORY	TOTAL	PER PUPIL (based on 3rd Friday in Sept Count)
State per Pupil Aid	$ 828,723	$ 7,603
Federal Funds	183,128	1,680
Special Education Categorical Aid	205,976	1,890
Grants	134,486	1,234
Donations From Sponsor	197,176	1,809
Other Donations	403,281	3,700
Other Revenue	92,264	846
Total	$ 2,045,034	$ 18,762

Federal Revenue (Break Out)

CATEGORY	TOTAL	PER PUPIL
Title I	$ 24,740	$ 227
Title II	2,691	25
Title III	-	-
Title IV	9,576	88
Title V	-	-
Title VI	-	-
Other Federal Funds:		
IDEA-Preschool	13,405	123
IDEA-Flow Through	23,807	218
USDA - Federal Breakfast/Lunch	54,178	497
Medicaid	53,962	495
Total	$ 182,359	$ 1,673

Total Expenditures

CATEGORY	TOTAL	PER PUPIL
Instruction	$ 513,487	$ 4,711
Instructional Support	767,451	7,041
Facilities	205,470	1,885
Administration	630,561	5,785
Board	-	-
Other Expenditures	185,938	1,706
Total	$ 2,302,907	$ 21,128

Fund Balance or Total Net Assets

	July 1 (Current Year)	June 30 (Current Year)	Difference	Cumulative Total Net Assets
Total Net Assets	$ 2,753,497	$ 2,495,624	$ (257,873)	$ 2,495,624