

Mountain Village Charter School

FINANCIAL STATEMENTS

Years ended July 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mountain Village Charter School
Plymouth, New Hampshire

We have audited the accompanying financial statements of Mountain Village Charter School (a New Hampshire nonprofit school), which comprises the statements of financial position as of July 31, 2020 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain Village Charter School July 31, 2020, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Mountain Village Charter School's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rowley & Associates, PC

Rowley & Associates, P.C.
Concord, New Hampshire
December 17, 2020

MOUNTAIN VILLAGE CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
July 31, 2020
With Comparative Totals for July 31, 2019
See Independent Auditors' Report

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	2020	2019
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 321,342	\$ 10,600	\$ 331,942	\$ 234,199
Accounts receivable	763	-	763	1,340
Prepaid expenses	14,378	-	14,378	19,609
Total Current Assets	<u>336,483</u>	<u>10,600</u>	<u>347,083</u>	<u>255,148</u>
FIXED ASSETS				
Furniture and equipment	60,300	-	60,300	60,300
Less accumulated depreciation	<u>(45,212)</u>	<u>-</u>	<u>(45,212)</u>	<u>(37,836)</u>
	<u>15,088</u>	<u>-</u>	<u>15,088</u>	<u>22,464</u>
OTHER ASSETS				
Construction in progress	24,066	-	24,066	-
Escrow deposits	8,000	-	8,000	-
Security deposits	4,499	-	4,499	4,499
Total Other Assets	<u>36,565</u>	<u>-</u>	<u>36,565</u>	<u>4,499</u>
Total Assets	<u>388,136</u>	<u>10,600</u>	<u>398,736</u>	<u>282,111</u>
LIABILITIES & NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	10,820	-	10,820	7,929
Accrued expenses	5,902	-	5,902	15,016
Total current liabilities	<u>16,722</u>	<u>-</u>	<u>16,722</u>	<u>22,945</u>
OTHER LIABILITIES				
SBA Payroll Protection Plan Loan	90,500	-	90,500	-
NET ASSETS				
Without donor restriction	280,914	-	280,914	248,566
With donor restriction	<u>-</u>	<u>10,600</u>	<u>10,600</u>	<u>10,600</u>
	<u>280,914</u>	<u>10,600</u>	<u>291,514</u>	<u>259,166</u>
Total Liabilities & Net Assets	<u>\$ 388,136</u>	<u>\$ 10,600</u>	<u>\$ 398,736</u>	<u>\$ 282,111</u>

Notes to Financial Statements

MOUNTAIN VILLAGE CHARTER SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended July 31, 2020
With Comparative Totals For Year Ended July 31, 2019
See Independent Auditors' Report

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	2020	2019
SUPPORT AND REVENUE				
Grants	\$ 720,293	\$ -	\$ 720,293	\$ 667,086
Contributions	8,953	-	8,953	26,888
Program service revenue	73,942	-	73,942	60,528
Interest income	46	-	46	38
	<u>803,234</u>	<u>-</u>	<u>803,234</u>	<u>754,540</u>
Net assets released from donor imposed restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program	679,736	-	679,736	575,223
Administrative	90,592	-	90,592	68,534
Fundraising	558	-	558	1,414
	<u>770,886</u>	<u>-</u>	<u>770,886</u>	<u>645,171</u>
Net increase in net assets	32,348	-	32,348	109,369
Net assets at beginning of year	<u>248,566</u>	<u>10,600</u>	<u>259,166</u>	<u>149,797</u>
Net assets at end of year	<u>\$ 280,914</u>	<u>\$ 10,600</u>	<u>\$ 291,514</u>	<u>\$ 259,166</u>

Notes to Financial Statements

MOUNTAIN VILLAGE CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
Years Ended July 31, 2020 and 2019
See Independent Auditors' Report

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 32,348	\$ 109,369
Adjustments to reconcile excess of revenues and support over expenses to net cash provided by operating activities:		
Depreciation	7,374	8,115
(Increase) decrease in operating assets:		
Accounts receivable	577	(1,263)
Prepaid expenses	5,231	(5,622)
Security deposits	-	-
Escrow deposits	(8,000)	-
Increase (decrease) in operating liabilities:		
Accounts payable	2,891	(2,816)
Accrued expenses	(9,112)	2,601
	<u>31,309</u>	<u>110,384</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	-	(1,500)
Construction in progress	(24,066)	-
Net Cash Used by Investing Activities	<u>(24,066)</u>	<u>(1,500)</u>
CASH USED BY FINANCING ACTIVITIES,		
Net Proceeds, Payroll Protection Plan Loan	<u>90,500</u>	<u>-</u>
Increase in cash and cash equivalents	97,743	108,884
Cash and Cash Equivalents at Beginning of Year	<u>234,199</u>	<u>125,315</u>
Cash and Cash Equivalents at End of Year	<u>\$ 331,942</u>	<u>\$ 234,199</u>

Notes to Financial Statements

MOUNTAIN VILLAGE CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JULY 31, 2020
WITH COMPARATIVE TOTALS FOR YEAR ENDED JULY 31, 2019
See Independent Auditors' Report

	Educational Programs	General and Administrative	Fundraising	2020 Total	2019 Total
EXPENSES					
Wages	\$ 401,614	\$ 70,873	\$ -	\$ 472,487	\$ 374,809
Payroll taxes	32,127	5,670	-	37,797	29,377
Benefits	39,818	7,027	-	46,845	41,163
Professional development	-	4,219	-	4,219	581
Staffing expense	8,913	1,573	-	10,486	750
School supplies and curriculum	25,783	-	-	25,783	26,101
Professional fees	12,276	-	-	12,276	11,870
General supplies and equipment	6,517	-	-	6,517	6,877
Rent expense	89,703	-	-	89,703	89,568
Repairs and maintenance	10,540	-	-	10,540	8,206
Utilities expense	15,875	-	-	15,875	19,594
Insurance	6,975	1,231	-	8,206	7,669
Travel	3,158	-	-	3,158	3,095
Printing and postage	762	-	-	762	1,278
Advertising and promotion	-	-	558	558	664
Depreciation expense	7,374	-	-	7,374	8,115
Apparel	1,500	-	-	1,500	940
Conferences and meetings	736	-	-	736	932
Information technology	8,523	-	-	8,523	7,426
Land use taxes	5,224	-	-	5,224	4,567
Other expenses	2,317	-	-	2,317	1,589
Total Expenses	<u>\$ 679,736</u>	<u>\$ 90,592</u>	<u>\$ 558</u>	<u>\$ 770,886</u>	<u>\$ 645,171</u>

MOUNTAIN VILLAGE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
July 31, 2020 and 2019

NOTE 1. NATURE OF ACTIVITIES & SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Mountain Village Charter School (“the School”) was established in June 2013 after receiving its charter from the State of New Hampshire Department of Education under Chapter 194-B Charter Schools and Open Enrollment Act of the State of New Hampshire’s Revised Statutes. The initial charter is for a five year period and is subject to renewal at the discretion of the State of New Hampshire Department of Education. The school has all the rights and privileges of other public schools and is operating as a public school.

The mission of the School is to provide an educational community engaging the child through a nature-based, Montessori approach. The curriculum inspires abstract thinking by exploring creative thought and critical reasoning. The approach places equal emphasis on rigorous academics, artistic expression, social development and community service.

Significant Accounting Policies

The summary of significant accounting policies of the School is presented to assist in understanding the School’s financial statements. The financial statements and notes are representations of the School’s management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services raising contributions, and performing administrative functions.

Net assets with donor restrictions - These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

MOUNTAIN VILLAGE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
July 31, 2020 and 2019

NOTE 1. NATURE OF ACTIVITIES & SIGNIFICANT ACCOUNTING POLICIES
(continued)

Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Capitalization Policy

The School follows the policy of capitalizing assets with a useful life of more than one year and a cost of \$500 or more.

Depreciation

The School follows the policy of charging to expense annual amounts of depreciation that allocate the cost of capital assets over their estimated useful lives. The School employs the straight-line method over the various useful lives of the assets ranging from five to thirty-nine years. Depreciation expense was \$7,374 and \$8,115 for the years ended July 31, 2020 and 2019, respectively.

Deferred Revenue

Revenue is recognized when earned, however, funds received that are not earned as of year-end are recorded as a liability under deferred revenue. Deferred revenue arise when resources are received by the School before it has a legal claim to them, as when grant funds are received prior to incurrence of qualifying expenses. There were no deferred revenues as of July 31, 2020 and 2019, respectively.

Planned Major Maintenance Activities

The School uses the direct expense method for all major maintenance activities. Major maintenance activities that exceed a cost of \$500 and extend the useful life of the asset are capitalized and depreciated over the years extended life of the asset. Maintenance that cost less than \$500 or does not extend the life of the maintained asset is expensed when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. For the years ended July 31, 2020 and 2019 the School had no cash equivalents.

MOUNTAIN VILLAGE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
July 31, 2020 and 2019

NOTE 1. NATURE OF ACTIVITIES & SIGNIFICANT ACCOUNTING POLICIES
(continued)

Income Taxes

The School has been notified by the Internal Revenue Service that it is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. The School is further classified as an organization that is not a private foundation under Section 509(a)(3) of the Code. The most significant tax positions of the School are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax (UBIT). The School follows guidance of Accounting Standards Codification (ASC) 740, Accounting for Income Taxes, related to uncertain income taxes, which prescribes a threshold of more likely than not for recognition of tax positions taken or expected to be taken in a tax return. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. Accordingly, no provision for income taxes has been recorded.

Accounts Receivable

Accounts receivable consists of various program services.

Operating Revenue and Expenses

Operating revenue and expenses generally result from providing educational and instructional services in connection with the School's principal ongoing operations. The principal operating revenues include federal and state grants. Operating expenses include educational costs, administrative costs, and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Use of Estimates

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

Public Support and Revenue

All contributions are considered to be without donor restriction use unless specifically restricted by the donor.

MOUNTAIN VILLAGE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
July 31, 2020 and 2019

NOTE 1. NATURE OF ACTIVITIES & SIGNIFICANT ACCOUNTING POLICIES
(continued)

Donations of long-lived assets

Donations of services and materials which increase long-lived assets are recorded at their fair values and recognize these revenues as increases in net assets without donor restriction.

Pledges & Grants Receivable and Recognition of Donor Restricted Contributions

Contributions received are recorded as an increase in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

The School provides for losses on grants and pledges receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of donors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the School's policy to charge off uncollectible grants and pledges receivable when management determines the receivable will not be collected. There were no balances in the allowance account related to pledges receivable as of July 31, 2020 and 2019 because all amounts were deemed collectable.

Functional Expenses and Cost Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates that are based on their relationship to those activities. Those expenses include payroll and payroll related expenses and occupancy costs. Occupancy costs are allocated based on square footage. Payroll and payroll related expenses are based on estimates of time and effort. Other cost allocations are based on the relationship between the expenditure and the activities benefited.

Advertising costs

The School follows the policy of charging the production costs of advertising to expense as incurred. Advertising costs for the year ended June 30, 2020 and 2019 was \$11,044 and \$1,414, respectively

**MOUNTAIN VILLAGE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
July 31, 2020 and 2019**

**NOTE 1. NATURE OF ACTIVITIES & SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Concentration of Risk

The School maintains cash balances in several accounts at local banks. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times throughout the year, the School may have cash balances at the financial institution that exceeds the insured amount. Management does not believe this concentration of cash results in a high level of risk for the School. At July 31, 2020 and 2019 the School had uninsured cash balances of \$81,942 and \$0, respectively.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended July 31, 2019, from which the summarized information was derived.

Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, prepaid expenses, accrued expenses, and accounts payable are stated at carrying cost at July 31, 2020 and 2019, which approximates fair value due to the relatively short maturity of these instruments.

New Accounting Pronouncement

During the year ended July 31, 2019, the School adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016- 14—Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016- 14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

**MOUNTAIN VILLAGE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
July 31, 2020 and 2019**

NOTE 2. ECONOMIC DEPENDENCY

During the years ended July 31, 2020 and 2019 the school received a significant portion of its revenue from the State of NH Department of Education. Continued funding requires compliance with numerous state regulations and requirements. Future non-compliance with these regulations and requirements, or a change in laws governing the School, could adversely impact the operations of the school.

NOTE 3. SUPPORT FROM GOVERNMENTAL UNITS

The School receives a substantial amount of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the School's ability to continue its programs and activities.

NOTE 4. CONTINGENT LIABILITIES

The School receives money under various state and federal programs. Under the terms of these programs, the School is required to expend the funds within the designated period for purposes specified in the grant proposal. If expenditures of the funds were found not to have been made in compliance with the proposal, the School might be required to return this portion of funds to the grantor. As of July 31, 2020, and 2019, there were no known disallowed expenditures and the School's management deems such a contingency unlikely. Accordingly, no provision has been made for this contingency.

NOTE 5. LEASE COMMITMENTS

The School entered a three-year lease for land beginning July 1, 2017 and ending July 31, 2020. This lease was renewed until July 31, 2021 with the same terms. The land lease is for the purpose of placing a modular schoolhouse on the premise. Rent expense related to this lease was \$16,800 and \$16,800 for the years ended July 31, 2020 and 2019, respectively.

Schiavi Leasing - The School renewed a one-year lease for a modular school house beginning July 15, 2020 and ending July 15, 2021. Rent expense related to this lease was \$18,123 and \$17,988 for the years ended July 31, 2020 and 2019, respectively.

The School entered a lease for storage space in June 2015 with payments beginning in September 2015. There is no end date for this lease, a notice of intent to vacate is required to end the lease. Rent expense related to this lease was \$780 and \$780 for the years ended July 31, 2020 and 2019, respectively.

Original Colony Holdings - The School entered a three-year lease for office and school room space beginning August 1, 2017 and ending July 31, 2020. This lease was renewed until August 31, 2022 with monthly payments of \$5,050. Rent expense related to this lease was \$54,000 and \$54,000 for the years ending July 31, 2020 and 2019, respectively.

**MOUNTAIN VILLAGE CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 July 31, 2020 and 2019**

NOTE 5. LEASE COMMITMENTS(continued)

Future minimum rent expense related to these leases for July 31 is:

2021	96,708
2022	<u>60,600</u>
	<u>\$ 157,308</u>

NOTE 6. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at July 31, 2020 and 2019 are as follows:

	Fair Value	Significant Other Observable Inputs Level (2)
<u>July 31, 2020</u>		
Accounts Receivable	<u>\$ 763</u>	<u>\$ 763</u>
<u>July 31, 2019</u>		
Accounts Receivable	<u>\$ 1,340</u>	<u>\$ 1,340</u>

The fair value of accounts receivable are estimated at the present value of expected future cash flows.

NOTE 7. BOARD DESIGNATED NET ASSETS

The School had no board designated net assets as of July 31, 2020.

NOTE 8. NET ASSETS WITH DONOR RESTRICTION

Net assets subject to expenditure for specific purpose as of July 31:

	<u>2020</u>	<u>2019</u>
NH EC Grant	\$ 600	\$ 600
Pearl Rising Scholarship	<u>10,000</u>	<u>10,000</u>
Total	<u>\$10,600</u>	<u>\$ 10,600</u>

NOTE 9. COMPENSATED ABSENCES

Employees of the School are entitled to paid vacation depending on job classification, length of services and other factors. As of years ended July 31, 2020 and 2019, there was no accrued vacation earned, but unpaid.

**MOUNTAIN VILLAGE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
July 31, 2020 and 2019**

NOTE 10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The School has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The School’s primary source of support is grants. That support is held for the purpose of supporting the School’s budget. The School had the following financial assets that could be readily made available within one year to fund expenses without limitations:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 331,942	\$ 234,199
Accounts receivable	763	1,340
Less amounts subject to donor restriction	<u>(10,600)</u>	<u>(10,600)</u>
	<u>\$ 322,105</u>	<u>\$ 224,939</u>

NOTE 11. STUDENT ENROLLMENT

Approximately 105 students, grade 1st-8th, were enrolled in the School during the year ended July 31, 2020.

NOTE 12. SBA PAYROLL PROTECTION PROGRAM LOAN

On May 1, 2020 the School received approval of a loan from The U.S. Small Business Administration as part of the Paycheck Protection Program in the amount of \$90,500. This loan calls for interest fixed at 1%. No payments are required for six months from the date of the loan. This note will mature two years from the date of first disbursement of the loan. It is likely that this loan will be forgiven under the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (P.L. 116-136).

NOTE 13. CONSTRUCTION IN PROGRESS

During the year ended July 31, 2020 the School engaged professional services for land surveying and environmental engineering firm as part of the process of purchasing land to expand the school. Construction in progress costs as of July 31, 2020 were \$24,066. On August 10, 2020 the School purchased the property located in Plymouth, NH using financing of approximately \$306,000.

NOTE 14. SUBSEQUENT EVENTS

Management has considered subsequent events through December 17, 2020, the date on which the financial statements were available to be issued, to determine if any are of such significance to require disclosure. It has been determined that no additional subsequent events matching this criterion occurred during this period.