FIRST STATE MONTESSORI ACADEMY, INC.
(A Component Unit of the State of Delaware)
WILMINGTON, DELAWARE

FINANCIAL STATEMENTS

JUNE 30, 2015

FIRST STATE MONTESSORI ACADEMY, INC.
(A Component Unit of the State of Delaware)

Table of Contents

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INDEPENDENT AUDITOR'S REPORT

September 17, 2015

Board of Directors
First State Montessori Academy, Inc.
Wilmington, Delaware

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of First State Montessori Academy, Inc. (the "School"), Wilmington, Delaware, a component unit of the State of Delaware, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, as listed in the table of contents.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 School'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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices 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 opinions.

BARBACANE THORNTON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
First State Montessori Academy, Inc.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of First State Montessori Academy, Inc. as of June 30, 2015, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the School has adopted the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." These statements modify the accounting for the School's pensions. Our opinion is not modified with respect to this matter.

We previously reviewed the financial statements of the School as of June 30, 2014, and in our review report dated February 7, 2015 stated that we were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole. As discussed in Note 10 to the financial statements, the School has adjusted its fiscal year 2014 statements to correct an error regarding a security deposit that was incorrectly omitted as an asset in the prior year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 10, the budgetary comparison information on page 30, and the schedule of proportionate share of net pension liability and contributions on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The combining balance sheet - governmental fund; combining statement of revenues, expenditures, and changes in fund balances - governmental fund; and schedule of expenditures by natural classification - governmental fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board of Directors
First State Montessori Academy, Inc.

The combining balance sheet - governmental fund; combining statement of revenues, expenditures, and changes in fund balances - governmental fund; and schedule of expenditures by natural classification - governmental fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet - governmental fund; combining statement of revenues, expenditures, and changes in fund balances - governmental fund; and schedule of expenditures by natural classification - governmental fund are fairly stated in all material respects in relation to the basic 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 September 17, 2015 on our consideration of First State Montessori Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 First State Montessori Academy, Inc.' internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the School's financial performance provides an overview of the financial activities for the year ended June 30, 2015. Please read it in conjunction with the Independent Auditor's Report on pages 1 - 3, and the School's financial statements, which begin on page 11.

Fiscal year 2015 was the first year of operations of the School. As such, no comparisons are made to the prior year. Beginning in fiscal year 2016, the financial statements, related footnotes, and the discussion and analysis will present comparative information.

FINANCIAL HIGHLIGHTS

During the School's first year of operations, the net position of the School increased by $788,601 or 226.71 percent. Program revenues accounted for $603,357 or 15.90 percent of total revenues, and the general revenues accounted for $3,190,501 million or 84.10 percent of total revenues. Also, the general fund reported a positive fund balance of $763,809.

REPORTING THE SCHOOL AS A WHOLE

The Statement of Net Position and Statement of Activities

One of the most important questions asked about School finances is, "Is the School better or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by private sector corporations. All of the year's revenues and expenses are taken into consideration regardless of when the cash is received or paid. These two statements report the School's net position and changes thereof. The change in net position provides the reader with a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment and facility conditions in arriving at their conclusion regarding the overall health of the School.

REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements of the School's major (and only) fund begin on page 13. These statements provide detailed information about the most significant fund and not the School as a whole. Certain funds are required to be established by State statute, while many other funds may be established by the School to help manage money for particular purposes and compliance with various grant provisions.

Governmental Funds

The School's activities are reported in the governmental fund, which focus on how money flows into and out of this fund and the balances left at year-end available for spending in future periods. This fund is reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The statements of the governmental fund provide a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or less financial resources available to spend in the near future to finance the School's programs. The difference between governmental activities (reported in the statement of net position and the statement of activities) and the governmental fund is reconciled in the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by $1,136,446 at the close of the fiscal year. The largest portion of the School's total assets is cash and equivalents (78.32 percent); other assets (1.81 percent) and capital assets net of depreciation (19.87 percent) make up the remaining asset total. The School uses capital assets to provide services; consequently, capital assets are not available for future spending.

A summarized analysis for the fiscal year 2015 follows:

Table 1
Net Position

Assets	
Current assets	$ 1,031,412
Noncurrent assets	327,711
Total Assets	1,359,123
Deferred Outflows of Resources	
Deferred pension contributions	112,904
Liabilities	
Current liabilities	325,307
Noncurrent liabilities	3,968
Total Liabilities	329,275
Deferred Inflows of Resources	
Deferred pension contributions	6,306
Net Position	
Net investment in capital assets	270,007
Restricted	150,000
Unrestricted	716,439
Total Net Position	$ 1,136,446

The School may use the balance of unrestricted net position of $716,439, reflected above in Table 1, to meet future operating activities.

The School is pleased to report positive balance in net position for the government as a whole.

Table 2, which follows, reflects the School's revenues received by funding source and how the funding received was expended by function.

Table 2
Change in Net Position

Revenues	
General revenues:	
Charges to school districts	$ 1,107,895
State aid	2,081,062
Earnings on cash and equivalents	1,544
Total General Revenues	3,190,501
Program revenues:	
School program charges for services	35,020
School cafeteria fees	20,588
Operating grants and contributions	397,749
Capital grants and contributions	150,000
Total Revenues	3,793,858
Expenses:	
Instructional services	2,114,922
Supporting services:	
Operation and maintenance of facilities	623,529
Transportation	227,221
School food service	39,585
Total Expenses	3,005,257
Change in Net Position	$ 788,601

Governmental Activities

The net position of the School's governmental activities increased by $788,601, and unrestricted net position reflects a positive balance of $716,439. The increase in the net position is primarily the result of fiscal year 2015 being the first year of operations, and the first year that it has received a substantial amount of revenue beyond start up grants and contributions.

The statement of activities shows the cost of program services and the charges for services, and grants and contributions offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. General revenues, which include charges to school districts, state aid not restricted for specific purposes, cash and investment earnings, and other local revenues must support the net cost of the programs.

	Total Cost	Net Cost (Revenue)
Governmental Activities		
Instructional services	$ 2,114,922	$ 1,785,585
Support services:		
Operation and maintenance of facilities	623,529	623,529
Transportation	227,221	781
School food services	39,585	(7,995)
Total Expenses	$ 3,005,257	$ 2,401,900

The reliance on general revenues to support the governmental activities is reflected by the net cost services' columns, which basically indicate the need for general support to fund School operations.

THE SCHOOL'S FUNDS

The governmental fund (as presented on the balance sheet on page 13) reported a fund balance of $763,809, which represents an increase of $675,112 from the prior year fund balance amount of $88,697. The schedule below presents the makeup of the total fund balance amount at year end.

Fund Balance	
Nonspendable	$ 82,334
Restricted	150,000
Assigned	16,333
Unassigned	515,142
Total Fund Balance	$ 763,809

General Fund

The increase in the fund balance amount from the prior year is due to fiscal year 2015 being the School's first year of operations, and was consequently the first year that significant state and federal aid, as well as payments from local districts, were received.

The schedules on the following page provide additional analysis of the revenues and expenditures of the School.

The largest revenue reported by the School for the year was for aid received from the State of Delaware, accounting for 60.82 percent of total revenues. Charges to local school districts for students attending the School was also significant, accounting for 29.20 percent.

Revenues	
Charges to school districts	$ 1,107,895
State sources	2,307,502
Federal sources	85,934
Earnings on cash and equivalents	1,544
Food service revenue	47,580
Contributions	208,383
School programs and activities	35,020
Total Revenues	$ 3,793,858

The largest portions of general fund expenditures are for personnel costs, which include salaries and related employment costs. The School is a service-oriented organization and, as such, is very labor intensive.

Expenditures by Object	
Current:	
Instruction services	$ 2,215,639
Supporting services:	
Operation and maintenance of facilities	613,068
Transportation	227,221
School food services	39,585
Capital outlay	23,233
Total Expenditures by Object	$ 3,118,746

GENERAL FUND BUDGET INFORMATION

The most significant budgeted fund is the general fund, which is presented on the modified accrual basis of accounting. The School may amend its revenue and expenditure estimates periodically due to changing conditions.

The following are explanations for the more significant variances between budget and actual revenues and expenditures as shown on page 30.

Revenues

Federal Aid

An unfavorable variance of $38,025 is attributable primarily to the timing of required expenditures. Federal grants generally have an 18-month spending authority in which they are available to be used. The additional federal funding will be utilized in the subsequent year.

Contributions

A favorable variance of $146,383 is due primarily to a grant received in the amount of $150,000 from the Longwood Foundation to be used for future capital projects that was originally unbudgeted.

School Programs

A favorable variance of $35,020 is due to school program and activity revenue not being included in the budget.

Employment Costs

A favorable variance of $47,004 is due to conservative budgeting for health insurance and other related costs. When the School hired employees to start its first year of operations, actual health insurance costs were lower than expected due to the health insurance policies selected by the staff.

Contractual Services

A favorable variance of $48,772 is due primarily to savings for consulting, management, and legal fees that were originally budgeted very conservatively. The School also controlled spending as much as possible during its first year of operations in order to build a comfortable fund balance.

Facility Costs

A favorable variance for facilities costs in the amount of $49,260 was realized due to conservative budgeting practices, and the fact that the lessor abated the School's rent for the first month of the fiscal year.

Supplies and Materials

A favorable variance of $36,883 was realized due to the School managing its expenditures very carefully and staff utilizing resources as efficiently as possible.

Capital Outlay – Property

An unfavorable variance of $23,233 is due to leasehold improvements purchased during the year that were originally unbudgeted.

CAPITAL ASSETS

The School has $270,007 invested in capital assets, net of depreciation. During the current year, the School made capital acquisitions of $280,468, including a transfer from prior year construction-in-progress of $257,235 and incurred depreciation expense of $10,461.

Detailed information regarding capital assets is reflected in Note 3 of the financial statements.

DEBT OBLIGATIONS

The School does not have any debt obligations as of June 30, 2015.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

Fiscal year 2015 was the first year of operations as a functioning school. The School's enrollment for the year was 280 students. If the School expands in future years, the larger enrollment will result in an increase in state and local district revenues, as well as a related increase in operating expenses to support the increased student body.

The financial model the School has developed is based on the funding formula currently in effect under the Delaware Charter School Law. If the funding formula for charter schools changes, adjustments to the underlying assumptions of the model will have to be made.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our fellow citizens, customers, investors, and creditors with a general overview of the School's finances and to show the School's accountability for the funding received. If you have questions about this report or need additional financial information, contact the School's Finance Office at (302) 576-1500.

BASIC FINANCIAL STATEMENTS

FIRST STATE MONTESSORI ACADEMY, INC.
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS:	
Cash and pooled cash	$ 1,006,782
Prepaid rent	24,630
Total Current Assets	1,031,412
NONCURRENT ASSETS:	
Security deposit	57,704
Depreciable capital assets, net	270,007
Total Noncurrent Assets	327,711
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension contributions	112,904
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,472,027
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable	$ 14,380
Accrued salaries and related costs	310,927
Total Current Liabilities	325,307
NONCURRENT LIABILITIES:	
Net pension liability	3,968
Total Liabilities	329,275
DEFERRED INFLOWS OF RESOURCES	
Deferred pension contributions	6,306
NET POSITION:	
Net investment in capital assets	270,007
Restricted	150,000
Unrestricted	716,439
Total Net Position	1,136,446
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 1,472,027

The accompanying notes are an integral part of these financial statements.

FIRST STATE MONTESSORI ACADEMY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
GOVERNMENTAL ACTIVITIES					
Instructional services	$ (2,114,922)	$ 35,020	$ 144,317	$ 150,000	$ (1,785,585)
Support services:					
Operation and maintenance of facilities	(623,529)	-	-	-	(623,529)
Transportation	(227,221)	-	226,440	-	(781)
Food service	(39,585)	20,588	26,992	-	7,995
TOTAL GOVERNMENTAL ACTIVITIES	$ (3,005,257)	$ 55,608	$ 397,749	$ 150,000	(2,401,900)
		GENERAL REVENUES			
		Charges to school districts			1,107,895
		Payments from primary government			2,081,062
		Earnings on cash and investments			1,544
		TOTAL GENERAL REVENUES			3,190,501
		CHANGE IN NET POSITION			788,601
		NET POSITION, BEGINNING OF YEAR, RESTATED			347,845
		NET POSITION, END OF YEAR			$ 1,136,446

The accompanying notes are an integral part of these financial statements.

FIRST STATE MONTESSORI ACADEMY, INC.
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2015

ASSETS	
Cash and pooled cash	$ 1,006,782
Prepaid rent	24,630
Security deposit	57,704
TOTAL ASSETS	$ 1,089,116
LIABILITIES AND FUND BALANCES	
LIABILITIES:	
Accounts payable	$ 14,380
Accrued salaries and related costs	310,927
TOTAL LIABILITIES	325,307
FUND BALANCES:	
Nonspendable	82,334
Restricted	150,000
Assigned	16,333
Unassigned	515,142
TOTAL FUND BALANCES	763,809
TOTAL LIABILITIES AND FUND BALANCES	$ 1,089,116

The accompanying notes are an integral part of these financial statements.

FIRST STATE MONTESSORI ACADEMY, INC.
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND
TO STATEMENT OF NET POSITION
JUNE 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUND	$ 763,809
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position.	270,007
Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund. Those liabilities consist of:	
Net pension liability	(3,968)
Deferred inflows and outflows related to the School's net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined proportion of the School's amount of the total pension liability, and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.	
Deferred outflows - pension contributions	112,904
Deferred inflows	(6,306)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	$ 1,136,446

The accompanying notes are an integral part of these financial statements.

FIRST STATE MONTESSORI ACADEMY, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

REVENUES	
Charges to school districts	$ 1,107,895
State aid	2,307,502
Federal aid	85,934
Interest income	1,544
Food service revenue	47,580
Contributions	208,383
School programs	35,020
TOTAL REVENUES	3,793,858
EXPENDITURES	
Current:	
Instruction	2,215,639
Operation and maintenance of facilities	613,068
Transportation	227,221
Food service	39,585
Capital outlays:	
Property	23,233
TOTAL EXPENDITURES	3,118,746
NET CHANGE IN FUND BALANCES	675,112
FUND BALANCES, BEGINNING OF YEAR, RESTATED	88,697
FUND BALANCES, END OF YEAR	$ 763,809

The accompanying notes are an integral part of these financial statements.

FIRST STATE MONTESSORI ACADEMY, INC.
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND		$ 675,112
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than $1,000 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	$ 23,233	
Depreciation expense	(10,461)	12,772
Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the organization's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.		100,717
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		$ 788,601

The accompanying notes are an integral part of these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

First State Montessori Academy, Inc. is organized under Delaware Code, Title 14, Chapter 5 of the State of Delaware. The Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. A charter school is an independent public school governed by an independent board of directors. In Delaware, charter schools have the same basic standing as a school district with some exceptions - most notably, they may not levy taxes. To encourage innovation, charter schools operate free from a number of state laws and regulations. An initial charter is granted for a three-year period, renewable every five years thereafter.

Charter schools are funded similarly to other public schools in that state and local funds are allocated for each enrolled student. Public funds are not provided for facilities. Charter schools may charge for selected additional costs consistent with those permitted by other school districts. Because a charter school receives local, state, and federal funds, they may not charge tuition.

The financial statements of First State Montessori Academy, Inc. have been prepared in conformity with generally accepted accounting principles as applied to local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of First State Montessori Academy, Inc. (the "School") are described below.

Reporting Entity

The School is a special purpose government and is considered a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's operations. The School has no component units for which it is considered to be financially accountable.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges to the School are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Charges to the school districts, state appropriations, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the School receives cash.

The School reports the following major governmental fund:

- **General Fund**. The general fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Amounts reported as program revenues include 1) charges to students for special fees, supplies, or services provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include charges to school districts.

Encumbrance Accounting

Encumbrance accounting is employed by the School's governmental fund. Encumbrances (i.e. purchase orders and contracts) outstanding at year end are reported as assigned fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At June 30, 2015, the School had outstanding encumbrances in the amount of $16,333.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Receivables

The School considers all accounts receivable at year end to be collectible; therefore, no allowance for doubtful accounts has been recorded.

Capital Assets

Capital assets, which include leasehold improvements and furniture and equipment, are reported in the entity-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost incurred during construction is not capitalized.

Capital assets of the School are depreciated using the straight-line method over the estimated useful lives of the related assets. The School generally uses the following estimated useful lives:

Leasehold improvements	25 years

Collections

The School maintains a small collection of various artwork that was donated by a third party at the start of the School's operations. As this collection is held for the furtherance of the education of its students, rather than for financial gain, it has not been capitalized.

Compensated Absences

Vacation pay plus related payroll taxes are accrued when incurred in the entity-wide financial statements. A liability for these amounts is reported in the governmental fund only when the liability matures, for example, as a result of employee resignations and retirements.

Vacation – Twelve-month employees can accumulate up to 42 days of vacation. Any unused vacation days are not carried over to the subsequent year and are not paid out upon termination or retirement.

Sick Leave – Sick leave allowances are as follows: teachers shall be allowed 10 days of sick leave per year, and annual employees earn one day of sick leave for each month worked. Unused sick leave cannot be carried over to the subsequent year, and sick time is not paid out upon termination or retirement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Earned unused sick leave may be transferred to another state agency if the employee remains a state employee or is later rehired as a state employee. Sick time does not accrue while an employee is on leave of absence, unless otherwise required by law.

Fund Equity

Fund balance will be displayed in the following classification (if applicable) depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the School. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Head of School may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Any remaining portions of net position are reflected as unrestricted. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first and then unrestricted resources as they are needed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The School reports deferred pension contributions resulting from pension contributions subsequent to the measurement date of the net pension liability and certain other items which represent differences related to changes in the net pension liability which will be amortized over future periods. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents a source of net position that applies to future periods. The School reports certain items which represent differences related to changes in the net pension liability which will be amortized over future periods.

Income Tax Status

No provision has been made for income taxes since the School qualifies as a tax-exempt organization under the Internal Revenue Code, Section 501(c)(3), and its activities do not result in any income tax liability.

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the School's tax returns. Management has determined that the School does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the School's tax returns will not be challenged by the taxing authorities and that the School will not be subject to additional tax, penalties, and interest as a result of such challenge. The income tax return of the School for 2014 is subject to examination by tax authorities, generally for three years after it was filed.

Use of Estimates in the Preparation of Financial Statements

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2015, the School has a cash equivalent balance of $1,006,782. Of that amount, $1,002,264 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

NOTE 2 CASH AND CASH EQUIVALENTS (cont'd)

The funds held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the School, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State of Delaware. The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost.

At June 30, 2015, the reported amount of the School's deposits not held with the State Treasurer's Office was $4,518, and the bank balance was $4,518. All of the balance was covered by federal depository insurance.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follows:

	Balances 7/01/14	Increases	Decreases	Balances 6/30/15
Governmental Activities:				
Capital assets not being depreciated:				
Construction-in-progress	$ 257,235	$ -	$ 257,235	$ -
Total capital assets not being depreciated	257,235	-	257,235	-
Capital assets being depreciated:				
Leasehold improvements	-	280,468	-	280,468
Total capital assets being depreciated	-	280,468	-	280,468
Accumulated depreciation	-	(10,461)	-	(10,461)
Total capital assets being depreciated, net	-	270,007	-	270,007
Governmental Activities, Net	$ 257,235	$ 270,007	$ 257,235	$ 270,007

Depreciation expense was charged to the following activities:

Governmental activities:	
Operation and maintenance of facilities	$ 10,461

NOTE 4 FUND BALANCE

As of June 30, 2015, fund balance is composed of the following:

Nonspendable:	
Prepaid rent	$ 24,630
Security deposit	57,704
Restricted:	
Donor	150,000
Assigned for encumbrances	16,333
Unassigned	515,142
Total Fund Balance	$ 763,809

NOTE 5 PENSION PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Pension Plan (the "Plan"), which is a cost-sharing, multiple-employer defined benefit public employees' retirement system (the "State PERS") defined by the Delaware Code.

The State of Delaware General Assembly is responsible for setting benefits and contributions, and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the "Board").

The following are brief descriptions of the Plan in effect as of June 30, 2014. For a more complete description, please refer to the Delaware Employees' Pension Plan Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

The State Employees' Pension Plan covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities.

There are two tiers within this plan: 1) employees hired prior to January 1, 2012, and 2) employees hired on or after January 1, 2012.

Benefits Provided

Service Benefits

Final average monthly compensation (employees hired on or after January 1, 2012 may not include overtime in pension compensation) multiplied by 2.0 percent and multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by

NOTE 5 PENSION PLAN (cont'd)

1.85 percent and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three periods of twelve consecutive months of compensation.

Vesting

Employees hired before January 1, 2012 vest in the plan after five years of credited service. Employees hired on or after January 1, 2012 vest in the plan after ten years of credited service.

Retirement

Employees hired before January 1, 2012 may retire at age 62 with five years of credited service; at age 60 with 15 years of credited service; or after 30 years of credited service at any age. Employees hired on or after January 1, 2012 may retire at age 65 with at least 10 years of credited service; at age 60 with 20 years of credited service; or after 30 years of credited service at any age.

Disability Benefits

Disability benefits for those employees hired before January 1, 2012 are offered using the same calculations as the Service Benefits described above. Employees in this program must have five years of credited service. In lieu of disability pension benefits, over 90 percent of the members of this plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Employees hired on or after January 1, 2012 are also included in the Disability Insurance Program.

Survivor and Burial Benefits

In the event of the death of a member of the Plan, the eligible survivor receives 50 percent of the benefits received under the pension (or 75 percent with a three percent reduction of the benefit). If the employee is an active member of the Plan with at least five years of credited service, the eligible survivor receives 75 percent of the benefit the active employee would have received at age 62.

Burial benefits are established at $7,000 per plan member.

Contributions

Member Contributions

Employees hired before January 1, 2012 contribute three percent of earnings in excess of $6,000. Employees hired on or after January 1, 2012 contribute five percent of earnings in excess of $6,000.

NOTE 5 PENSION PLAN (cont'd)

Employer Contributions

Employer contributions are determined by the Board of Pension Trustees. For the year ended June 30, 2015, the rate of the employer contribution was 9.56 percent of covered payroll. The School's contribution to PERS for the years ended June 30, 2015 and 2014 was $103,154 and $1,913, respectively.

PRI Contribution

All reporting units participating in the State PERS make contributions to a PRI fund which accumulates resources to fund ad hoc post-retirement increases granted by the General Assembly. The increases are funded over a five-year period from the PRI fund. The allocation of the contribution from the PRI fund to the Pension Trust is a reduction of the net pension liability of each participating employer.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2015, the School reported a liability of $3,968 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2013 to June 30, 2014. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School's proportion was 0.0011 percent. No liability was recorded at June 30, 2013, as the School had not yet begun operations at that point.

For the year ended June 30, 2015, the School recognized a net negative pension expense of $100,717. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 6,306
Changes in proportions	9,726	-
Difference between employer contributions and proportionate share of total contributions	24	-
Contributions subsequent to the date of measurement	103,154	-
	$ 112,904	$ 6,306

NOTE 5 PENSION PLAN (cont'd)

An amount of $103,154 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2014 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ending June 30,	
2016	$ 374
2017	374
2018	374
2019	374
2020	1,948
	$ 3,444

Actuarial Assumptions

The total pension liability as of the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. These actuarial valuations used the following actuarial assumptions, applied to all periods:

- Investment return – 7.2 percent, including inflation of 3.0 percent
- Salary increases – 3.5 percent to 11.5 percent, including inflation of 3.0 percent
- Cost-of-living adjustments – ad hoc

The total pension liabilities are measured based on the assumptions pertaining to interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the actual experience deviates, the larger the impact on future financial statements.

Mortality rates were based on the Sex Distinct RP-2000 combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments ("ad hoc COLAs"), as they are not substantively automatic. The primary considerations relevant to making this determination include the historical patterns of granting the changes and the consistency in the amounts of the changes.

NOTE 5 PENSION PLAN (cont'd)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	5.7%
International equity	5.7%
Fixed income	2.0%
Alternative investments	7.8%
Cash and equivalents	0.0%

Due to the fact that Plan assets are commingled with other State funds for investment purposes, a target allocation of each asset class specific to the Plan is not available. However, assets of the Plan may be used only for the payment of benefits to the members of the Plan.

Discount Rate

The discount used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates determined by the Board of Pension Trustees, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.2 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent), or one percentage point higher (8.2 percent) than the current rate.

NOTE 5 PENSION PLAN (cont'd)

		1% Decrease 6.2%		Current Rate Discount Rate 7.2%		1% Increase 8.2%
School's proportionate share of the net pension liability	$	15,180	$	3,968	$	(5,356)

Pension Plan Fiduciary Net Position

Detailed information about PERS' fiduciary net position is available in PERS Comprehensive Annual Financial Report, which can be found on the Plan's website at www.delawarepensions.com.

NOTE 6 LEASES

The School is involved in the following operating leasing arrangements:

School Facility

The School entered into a leasing arrangement for a real property with Office Partners XV French Street LLC for a term of 10 years. The lease commenced on August 1, 2014 and expires in July 2024. The lease calls for monthly lease payments of $24,630 through August 1, 2015. Thereafter, monthly payments increase each year until year three, in which monthly payments of $31,667 remain due for the duration of the lease. Future minimum rental payments are as follows:

Years Ending June 30,		
2016	$	311,037
2017		374,374
2018		380,007
2019		380,007
2020		380,007
2021 - 2024		1,520,028
	$	3,345,460

Total rental costs incurred for the year ended June 30, 2015 were $270,931.

NOTE 7 RISK MANAGEMENT

The School has purchased commercial insurance policies for various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the School. Insurance settlements have not exceeded insurance coverage in either of the past two years. There were no significant reductions in coverage compared to the prior year.

NOTE 8 COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The School does not anticipate losses from these transactions.

Grants

The School receives significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the State Office of Auditor of Accounts and federal agencies. Any disallowed claims resulting from such audits could become a liability of the general fund. The School's administration believes such disallowance, if any, would be immaterial.

NOTE 9 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Travel	$	308
Insurance	$	2,040
Transportation	$	1,221
Capital outlay - property	$	23,233

The excess expenditures were covered by other current year expenditure appropriations that were under budget.

NOTE 10 PRIOR PERIOD ADJUSTMENT

The School has restated its beginning net position of the governmental activities and general fund fund balance based on the detection of an error. In the prior year, a security deposit was remitted to the lessor of the School's building in the amount of $57,704, but was not properly reported as an asset. Prior year assets, net position, and fund balance were therefore understated by this amount.

NOTE 11 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 17, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST STATE MONTESSORI ACADEMY, INC.
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Charges to school districts	$ 1,110,031	$ 1,110,031	$ 1,107,895	$ (2,136)
State aid	2,249,463	2,290,385	2,307,502	17,117
Federal aid	123,959	123,959	85,934	(38,025)
Earnings on cash and investments	-	-	1,544	1,544
Food service revenue		40,000	47,580	7,580
Contributions	88,290	62,000	208,383	146,383
School programs	-	-	35,020	35,020
TOTAL REVENUES	3,571,743	3,626,375	3,793,858	167,483
EXPENDITURES				
Current:				
Salaries	1,361,179	1,361,179	1,350,690	10,489
Employment costs	612,971	555,107	508,103	47,004
Travel	-	-	308	(308)
Contractual services	225,443	273,443	224,671	48,772
Communications	12,000	12,000	9,335	2,665
Public utilities service	120,000	120,000	94,973	25,027
Insurance	35,000	35,000	37,040	(2,040)
Facility costs	365,235	389,865	340,605	49,260
Transportation - buses	226,000	226,000	227,221	(1,221)
Repairs and maintenance	90,000	155,000	140,450	14,550
Supplies and materials	234,000	199,000	162,117	36,883
Capital outlays:				
Property	-	-	23,233	(23,233)
TOTAL EXPENDITURES	3,281,828	3,326,594	3,118,746	207,848
EXCESS OF REVENUES OVER EXPENDITURES	289,915	299,781	675,112	375,331
OTHER FINANCING SOURCES (USES):				
Contingency	(63,890)	(73,147)	-	73,147
Appropriated fund balance	30,992	30,992	-	(30,992)
TOTAL OTHER FINANCING SOURCES (USES)	(32,898)	(42,155)	-	42,155
NET CHANGE IN FUND BALANCE	257,017	257,626	675,112	417,486
FUND BALANCE, BEGINNING OF YEAR, RESTATED	88,697	88,697	88,697	-
FUND BALANCE, END OF YEAR	$ 345,714	$ 346,323	$ 763,809	$ 417,486

NOTE: The School's budget is presented on the modified accrual basis of accounting.

FIRST STATE MONTESSORI ACADEMY, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS

PROPORTIONATE SHARE OF NET PENSION LIABILITY		JUNE 30, 2014
School's proportion of the net pension liability		0.0011%
School's proportion of the net pension liability - dollar value	$	3,968
School's covered employee payroll	$	20,010
School's proportionate share of the net pension liability as a percentage of its covered employee payroll		19.83%
Plan fiduciary net position as a percentage of the total pension liability		95.80%

CONTRIBUTIONS		
Contractually required contribution	$	1,884
Contributions in relation to the contractually required contribution		1,913
Contribution excess	$	(29)
School's covered employee payroll	$	20,010
Contributions as a percentage of covered-employee payroll		9.56%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SUPPLEMENTARY INFORMATION

FIRST STATE MONTESSORI ACADEMY, INC.
COMBINING BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2015

	State Allocation	Local Funding	Federal Funding	Total
ASSETS				
Cash and pooled cash	$ 43,928	$ 962,854	$ -	$ 1,006,782
Prepaid rent	24,630	-	-	24,630
Security deposit	-	57,704	-	57,704
TOTAL ASSETS	$ 68,558	$ 1,020,558	$ -	$ 1,089,116
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 6,745	$ 7,635	$ -	$ 14,380
Accrued salaries and related costs	-	310,927	-	310,927
TOTAL LIABILITIES	6,745	318,562	-	325,307
FUND BALANCES				
Nonspendable	24,630	57,704	-	82,334
Restricted	-	150,000	-	150,000
Assigned	16,333	-	-	16,333
Unassigned	20,850	494,292	-	515,142
TOTAL FUND BALANCES	61,813	701,996	-	763,809
TOTAL LIABILITIES AND FUND BALANCES	$ 68,558	$ 1,020,558	$ -	$ 1,089,116

FIRST STATE MONTESSORI ACADEMY, INC.
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund			
	State Allocation	Local Funding	Federal Funding	Total
REVENUES				
Charges to school districts	$ -	$ 1,107,895	$ -	$ 1,107,895
State aid	2,307,502	-	-	2,307,502
Federal aid	-	-	85,934	85,934
Earnings on cash and investments	-	1,544	-	1,544
Food service revenue	-	20,588	26,992	47,580
Contributions	-	208,383	-	208,383
School programs	-	35,020	-	35,020
TOTAL REVENUES	2,307,502	1,373,430	112,926	3,793,858
EXPENDITURES				
Current:				
Instruction	1,392,444	737,261	85,934	2,215,639
Operation and maintenance of facilities	604,991	8,077	-	613,068
Transportation	225,021	2,200	-	227,221
Food services	-	12,593	26,992	39,585
Capital outlays:				
Property	23,233	-	-	23,233
TOTAL EXPENDITURES	2,245,689	760,131	112,926	3,118,746
NET CHANGE IN FUND BALANCES	61,813	613,299	-	675,112
FUND BALANCES, BEGINNING OF YEAR, RESTATED	-	88,697	-	88,697
FUND BALANCES, END OF YEAR	$ 61,813	$ 701,996	$ -	$ 763,809

FIRST STATE MONTESSORI ACADEMY, INC.
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

EXPENDITURES	
Current:	
Salaries	$ 1,350,690
Employment costs	508,103
Travel	308
Contractual services	224,671
Communications	9,335
Public utilities service	94,973
Insurance	37,040
Facility costs	340,605
Transportation - buses	227,221
Repairs and maintenance	140,450
Supplies and materials	162,117
Capital outlays:	
Property	23,233
TOTAL EXPENDITURES	$ 3,118,746

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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*

September 17, 2015

Board of Directors
First State Montessori Academy, Inc.
Wilmington, Delaware

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 the governmental activities and the major fund of First State Montessori Academy, Inc., Wilmington, Delaware, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise First State Montessori Academy, Inc.'s (the "School") basic financial statements, and have issued our report thereon dated September 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 School'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 over financial reporting 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.

BARBACANE
THORNTON
&COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
First State Montessori Academy, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 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.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP