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

FINANCIAL STATEMENTS

JUNE 30, 2017

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

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(A Component Unit of the State of Delaware)

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INDEPENDENT AUDITOR'S REPORT

September 7, 2017

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, 2017, 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 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.

BARBACANE THORNTON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2017, and the respective changes in financial position 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 First State Montessori Academy's 2016 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and the major fund in our report dated September 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 through 11, the budgetary comparison information on page 32, the schedule of the School's proportionate share of the net pension liability on page 33, and the schedule of School contributions on page 34 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 7, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the School's 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, 2017. 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 12.

FINANCIAL HIGHLIGHTS

Fiscal year 2017 was the School's third year of operations. During the year, the net position of the School decreased by $70,402, or 4.29 percent. Program revenues accounted for $401,773 or 7.04 percent of total revenues, and the general revenues accounted for $5,305,876 or 92.96 percent of total revenues. Also, the general fund reported a positive fund balance of $1,308,787.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 14. 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, with 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,569,284 at the close of the fiscal year. The largest portion of the School's total assets is cash and pooled cash (75.84 percent); other assets (6.48 percent) and capital assets net of depreciation (17.68 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 comparative net position analysis of fiscal years 2016 and 2017 follows:

Table 1
NET POSITION
JUNE 30, 2017 AND 2016

	Governmental Activities	
	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current and Other Assets:		
Cash and pooled cash	$ 1,754,829	$ 1,480,310
Other current assets	42,198	48,070
Total Current Assets	1,797,027	1,528,380
Noncurrent Assets:		
Security deposit	107,705	107,705
Capital assets, net of depreciation	409,017	390,315
Total Noncurrent Assets	516,722	498,020
Deferred Outflows of Resources:		
Deferred pension contributions	230,744	143,239
Deferred outflows - pension	828,066	457,913
Total Deferred Outflows of Resources	1,058,810	601,152
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	3,372,559	2,627,552

Table 1
NET POSITION
JUNE 30, 2017 AND 2016

	Governmental Activities	
(cont'd)	2017	2016
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities:		
Accounts payable	24,242	41,477
Accrued salaries and related costs	571,703	436,239
Total Current Liabilities	595,945	477,716
Noncurrent Liabilities:		
Net pension liability	1,181,416	384,095
TOTAL LIABILITIES	1,777,361	861,811
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows - pension	25,914	126,055
NET POSITION:		
Net investment in capital assets	409,017	390,315
Restricted - capital renovations	100,000	-
Unrestricted	1,060,267	1,249,371
TOTAL NET POSITION	$ 1,569,284	$ 1,639,686

The School may use the balance of unrestricted net position of $1,060,267, 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 for fiscal years 2016 and 2017.

Table 2
CHANGES IN NET POSITION
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	Governmental Activities	
	2017	2016
REVENUES		
General revenue:		
Charges to school districts	$ 1,822,086	$ 1,373,954
Payments from primary government	3,462,745	2,622,089
Earnings on cash and investments	21,045	9,029
Program revenue:		
Charges for services	107,354	62,315
Operating grants and contributions	194,419	228,329
Capital grants and contributions	100,000	-
TOTAL REVENUES	5,707,649	4,295,716

Table 2
CHANGES IN NET POSITION
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	Governmental Activities	
(cont'd)	2017	2016
EXPENSES		
Instructional services	4,164,536	2,830,713
Support services:		
Operation and maintenance of facilities	1,240,374	675,341
Transportation	314,218	229,253
Food service	58,923	57,169
TOTAL EXPENSES	5,778,051	3,792,476
CHANGE IN NET POSITION	$ (70,402)	$ 503,240

Governmental Activities

The net position of the School's governmental activities decreased by $70,402, and unrestricted net position reflects a positive balance of $1,060,267. The decrease in net position is primarily the result of increased facility costs due to the use of additional square footage of leased space to support the increase in enrollment that was realized during the year, and a large increase in the School's proportionate share of the net pension liability.

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.

	2017		2016	
	Total Cost	Net Cost	Total Cost	Net Cost (Revenue)
Governmental Activities				
Instructional services	$ 4,164,536	$ 3,818,918	$ 2,830,713	$ 2,581,594
Support services:				
Operation and maintenance of facilities	1,240,374	1,240,374	675,341	675,341
Transportation	314,218	314,218	229,253	229,253
Food service	58,923	2,768	57,169	15,644
Total Expenses	$ 5,778,051	$ 5,376,278	$ 3,792,476	$ 3,501,832

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for $5,376,278 of support.

THE SCHOOL'S FUNDS

The governmental fund (as presented on the balance sheet on page 14) reported a fund balance of $1,308,787, which represents an increase of $150,418 from the prior year fund balance amount of $1,158,369. The schedule below presents the makeup of the total fund balance amount at year end.

	Governmental Fund 2017	Governmental Fund 2016
FUND BALANCE		
Nonspendable	$ 140,414	$ 133,742
Restricted - capital renovations	100,000	-
Assigned	-	2,189
Unassigned	1,068,373	1,022,438
Total Fund Balance	$ 1,308,787	$ 1,158,369

General Fund

The increase in the fund balance is primarily the result of increased funding from the State of Delaware and local school districts due to increased enrollment, as well as the School's careful management of its costs.

The table that follows assists in illustrating the financial activities and balance of the governmental fund.

REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

	2017	2016
REVENUES		
Charges to school districts	$ 1,822,086	$ 1,373,954
State aid	3,462,745	2,622,089
Federal aid	139,713	164,231
Earnings on cash and investments	21,045	9,029
Food service revenue	23,792	15,824
Contributions	154,706	64,098
School programs	83,562	46,491
TOTAL REVENUES	5,707,649	4,295,716
EXPENDITURES		
Current:		
Instructional services	3,919,803	2,818,099
Operation and maintenance of facilities	1,223,910	662,423
Transportation	314,218	229,253
Food service	58,923	57,169

REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

	2017	2016
(cont'd)		
Capital outlays:		
Property	5,900	125,115
Equipment	34,477	9,097
TOTAL EXPENDITURES	5,557,231	3,901,156
NET CHANGE IN FUND BALANCE	150,418	394,560
FUND BALANCE, BEGINNING OF YEAR	1,158,369	763,809
FUND BALANCE, END OF YEAR	$ 1,308,787	$ 1,158,369

The largest revenue reported by the School for the year was for aid received from the State of Delaware, accounting for 60.67 percent of total revenues. Charges to local school districts for students attending the School was also significant, accounting for 31.92 percent.

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.

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 32.

Revenues

<u>Federal Aid</u>

A favorable variance of $19,881 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. During fiscal year 2017, the School used federal funds awarded in the prior fiscal year, in addition to funds awarded during fiscal year 2017.

<u>Food Service Revenue</u>

An unfavorable variance of $13,121 was realized due to a lower participation rate in the School's lunch program than initially expected.

Contributions

A favorable variance of $33,231 is due primarily to additional donations and grants being received above the amount that was expected.

School Programs

A favorable variance of $25,899 is due to additional field trips and other school activities in excess of the projected amounts.

Contractual Services

A favorable variance of $26,121 is due primarily to legal costs and similar services being budgeted very conservatively; no significant legal costs were incurred during the year.

Public Utilities Services

An unfavorable variance of $23,246 is due primarily to the requirement to remit a one-time payment to the utility company that was not budgeted for, and the increase in utility costs for the School's second building being realized above the estimated amount.

Repairs and Maintenance

A favorable variance of $162,819 was realized due to repairs and replacements in the School's second building that were budgeted but were not required to be made.

Supplies and Materials

A favorable variance of $49,256 is due to supplies and materials that were budgeted to be purchased in fiscal year 2017 but will not be made until the next fiscal year.

Capital Outlays

A favorable variance of $94,100 was realized due to a budgeted renovation project that was scheduled to begin in fiscal year 2017 but will not be started until the next fiscal year.

CAPITAL ASSETS

The School has $409,017 invested in capital assets, net of depreciation. During the current year, the School made capital improvements to its leasehold and fixtures totaling $5,900, and acquired equipment totaling $34,477.

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, 2017.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The School opened in August 2014 with 280 students for its first year of operations, and grew in fiscal year 2017 to a total enrollment of 428 students. Management anticipates that revenue and expenses will increase as a result of the future growth and has developed a budget to support the identified growth. The School has identified a continued need to provide students with additional support services and educational programs. Many of these programs will require additional resources not adequately funded with federal, state, or local district revenue. Also, potential cutbacks in educational spending at the federal, state, and local level could impact the School's financial resources to meet the State's accountability requirements. In anticipation of these events, the School is taking steps to increase the percentage of funding from nongovernmental resources.

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.
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	Governmental Activities	
	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and pooled cash	$ 1,754,829	$ 1,480,310
Accounts receivable	9,489	22,033
Prepaid rent	32,709	26,037
Total Current Assets	1,797,027	1,528,380
NONCURRENT ASSETS:		
Security deposit	107,705	107,705
Capital assets, net of depreciation	409,017	390,315
Total Noncurrent Assets	516,722	498,020
TOTAL ASSETS	2,313,749	2,026,400
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pension contributions	230,744	143,239
Deferred outflows - pension	828,066	457,913
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,058,810	601,152
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 3,372,559	$ 2,627,552
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 24,242	$ 41,477
Accrued salaries and related costs	571,703	436,239
Total Current Liabilities	595,945	477,716
NONCURRENT LIABILITIES:		
Net pension liability	1,181,416	384,095
Total Noncurrent Liabilities	1,181,416	384,095
TOTAL LIABILITIES	1,777,361	861,811
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows - pension	25,914	126,055
TOTAL DEFERRED INFLOWS OF RESOURCES	25,914	126,055
NET POSITION:		
Net investment in capital assets	409,017	390,315
Restricted - capital renovations	100,000	-
Unrestricted	1,060,267	1,249,371
TOTAL NET POSITION	1,569,284	1,639,686
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 3,372,559	$ 2,627,552

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, 2017
(With Summarized Comparative Data for the Year Ended June 30, 2016)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
					Totals	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2017	2016
GOVERNMENTAL ACTIVITIES						
Instructional services	$ (4,164,536)	$ 83,562	$ 162,056	$ 100,000	$ (3,818,918)	$ (2,581,594)
Support services:						
Operation and maintenance of facilities	(1,240,374)	-	-	-	(1,240,374)	(675,341)
Transportation	(314,218)	-	-	-	(314,218)	(229,253)
Food service	(58,923)	23,792	32,363	-	(2,768)	(15,644)
TOTAL GOVERNMENTAL ACTIVITIES	$ (5,778,051)	$ 107,354	$ 194,419	$ 100,000	(5,376,278)	(3,501,832)
		GENERAL REVENUES				
		Charges to school districts			1,822,086	1,373,954
		Payments from primary government			3,462,745	2,622,089
		Earnings on cash and investments			21,045	9,029
		TOTAL GENERAL REVENUES			5,305,876	4,005,072
		CHANGE IN NET POSITION			(70,402)	503,240
		NET POSITION, BEGINNING OF YEAR			1,639,686	1,136,446
		NET POSITION, END OF YEAR			$ 1,569,284	$ 1,639,686

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

FIRST STATE MONTESSORI ACADEMY, INC.
BALANCE SHEETS - GOVERNMENTAL FUND
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and pooled cash	$ 1,754,829	$ 1,480,310
Accounts receivable	9,489	22,033
Prepaid rent	32,709	26,037
Security deposit	107,705	107,705
TOTAL ASSETS	$ 1,904,732	$ 1,636,085
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	$ 24,242	$ 41,477
Accrued salaries and related benefits	571,703	436,239
Total Liabilities	595,945	477,716
FUND BALANCE:		
Nonspendable	140,414	133,742
Restricted - capital renovations	100,000	-
Assigned	-	2,189
Unassigned	1,068,373	1,022,438
Total Fund Balance	1,308,787	1,158,369
TOTAL LIABILITIES AND FUND BALANCE	$ 1,904,732	$ 1,636,085

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, 2017

FUND BALANCE - GOVERNMENTAL FUND		$ 1,308,787
The amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in 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.		409,017
Long-term liabilities applicable to the governmental activities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Those liabilities consist of:		
Net pension liability		(1,181,416)
Deferred inflows of resources and deferred outflows of resources 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 pension contributions	$ 230,744	
Deferred outflows - pension	828,066	
Deferred inflows - pension	(25,914)	1,032,896
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 1,569,284

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

FIRST STATE MONTESSORI ACADEMY, INC.
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
REVENUES		
Charges to school districts	$ 1,822,086	$ 1,373,954
State aid	3,462,745	2,622,089
Federal aid	139,713	164,231
Earnings on cash and investments	21,045	9,029
Food service revenue	23,792	15,824
Contributions	154,706	64,098
School programs	83,562	46,491
TOTAL REVENUES	5,707,649	4,295,716
EXPENDITURES		
Current:		
Instructional services	3,919,803	2,818,099
Operation and maintenance of facilities	1,223,910	662,423
Transportation	314,218	229,253
Food service	58,923	57,169
Capital outlays:		
Property	5,900	125,115
Equipment	34,477	9,097
TOTAL EXPENDITURES	5,557,231	3,901,156
NET CHANGE IN FUND BALANCE	150,418	394,560
FUND BALANCE, BEGINNING OF YEAR	1,158,369	763,809
FUND BALANCE, END OF YEAR	$ 1,308,787	$ 1,158,369

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 BALANCE - GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND			$ 150,418
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 expense in the current period.			
	Capital outlays	$ 40,377	
	Depreciation expense	(21,675)	18,702
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 School'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.			(239,522)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES			$ (70,402)

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 operating fund. It accounts for all financial resources of the School.

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, 2017, the School did not have any outstanding encumbrances.

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	23 - 25 years
Furniture and equipment	5 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.

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

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.

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 or Head of School has provided otherwise in its commitment or assignment actions.

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

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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.

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

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The School did not engage in any unrelated business activities during the fiscal year. Management believes that it is more likely than not that its tax-exempt status and tax positions will be sustained if examined by authorities.

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, 2017, the School has a cash equivalent balance of $1,754,829. Of that amount, $1,753,072 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.

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, 2017, the reported amount of the School's deposits not held with the State Treasurer's Office was $1,757, and the bank balance was $1,757. All of the balance was covered by federal depository insurance.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

	Balances 7/01/16	Increases	Decreases	Balances 6/30/17
Governmental Activities:				
Capital assets being depreciated:				
Leasehold improvements	$ 405,583	$ 5,900	$ -	$ 411,483
Furniture and equipment	9,097	34,477	-	43,574
Total capital assets being depreciated	414,680	40,377	-	455,057
Accumulated depreciation	(24,365)	(21,675)	-	(46,040)
Total capital assets being depreciated, net	390,315	18,702	-	409,017
Governmental Activities, Net	$ 390,315	$ 18,702	$ -	$ 409,017

NOTE 3 CAPITAL ASSETS (cont'd)

Depreciation expense was charged to the following activities:

Governmental activities:	
Instructional services	$ 5,211
Operation and maintenance of facilities	16,464
	$ 21,675

NOTE 4 FUND BALANCE

As of June 30, 2017, fund balance is composed of the following:

Nonspendable:	
Prepaid rent	$ 32,709
Security deposit	107,705
Restricted:	
Capital renovations	100,000
Unassigned	1,068,373
Total Fund Balance	$ 1,308,787

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, 2016. 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.

NOTE 5 PENSION PLAN (cont'd)

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 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.

NOTE 5 PENSION PLAN (cont'd)

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.

Employer Contributions

Employer contributions are determined by the Board. For the year ended June 30, 2017, the rate of the employer contribution was 9.58 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2017 was $230,744.

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, 2017, the School reported a liability of $1,181,416 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. The School's proportion of the net pension liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2016, the School's proportion was 0.07847 percent, which represents an increase from the prior measurement date of 0.0207 percent.

NOTE 5 PENSION PLAN (cont'd)

For the year ended June 30, 2017, the School recognized pension expense of $470,266. At June 30, 2017, 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	$ 368,222	$ -
Changes of assumptions	109,401	-
Difference between actual and expected experience	-	25,914
Changes in proportions	350,443	-
Contributions subsequent to the date of measurement	230,744	-
	$ 1,058,810	$ 25,914

An amount of $230,744 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2016 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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,	
2018	$ 178,842
2019	178,842
2020	178,842
2021	178,842
2022	86,784
	$ 802,152

Actuarial Assumptions

The total pension liability as of the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, and update procedures were used to roll forward the total pension liability to June 30, 2016. These actuarial valuations used the following actuarial assumptions, applied to all periods:

NOTE 5 PENSION PLAN (cont'd)

- 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 2016. 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.

Key assumptions changes include a reduction in the inflation assumption from 3.0 percent to 2.5 percent and a change to use updated mortality tables. Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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.

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	Target Asset Allocation
Domestic equity	5.7%	34.0%
International equity	5.7%	14.7%
Fixed income	2.0%	25.0%
Alternative investments	7.8%	20.9%
Cash and equivalents	-	5.4%

NOTE 5 PENSION PLAN (cont'd)

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, 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.

	1% Decrease 6.2%	Current Rate Discount Rate 7.2%	1% Increase 8.2%
School's proportionate share of the net pension liability	$ 2,053,494	$ 1,181,416	$ 448,281

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 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, and increases each year thereafter.

NOTE 6 LEASES (cont'd)

The School has also entered into a leasing arrangement for real property with CSDCPC 920 French LLC for a term of 10 years. The lease commenced on July 1, 2016 and expires on June 30, 2026. The lease requires monthly payments of $26,334 for the first year and increases annually for the duration of the lease.

Future minimum rental payments under these lease agreements are as follows:

Years Ending June 30,	
2018	$ 848,391
2019	932,355
2020	1,016,520
2021	1,031,892
2022	1,047,535
2023 - 2026	3,410,604
	$ 8,287,297

Total rental costs incurred for the year ended June 30, 2017 were $721,531.

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

NOTE 8 COMMITMENTS AND CONTINGENCIES (cont'd)

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:

Salaries	$	16,777
Travel	$	1,554
Public utilities services	$	23,246
Facility costs	$	3,953
Capital outlay - equipment	$	4,365

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

NOTE 10 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 7, 2017, 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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Charges to school districts	$ 1,826,100	$ 1,822,086	$ 1,822,086	$ -
State aid	3,326,032	3,463,538	3,462,745	(793)
Federal aid	119,832	119,832	139,713	19,881
Earnings on cash and investments	-	11,220	21,045	9,825
Food service revenue	47,385	36,913	23,792	(13,121)
Contributions	-	121,475	154,706	33,231
School programs	60,000	57,663	83,562	25,899
TOTAL REVENUES	5,379,349	5,632,727	5,707,649	74,922
EXPENDITURES				
Current:				
Salaries	2,331,975	2,353,294	2,370,071	(16,777)
Employment costs	1,025,587	1,106,339	1,101,229	5,110
Travel	-	-	1,554	(1,554)
Contractual services	386,385	419,324	393,203	26,121
Communications	5,000	5,000	4,927	73
Public utilities services	200,000	200,000	223,246	(23,246)
Insurance	30,000	28,122	28,121	1
Facility costs	802,012	794,868	798,821	(3,953)
Transportation - buses	339,193	315,000	314,217	783
Repairs and maintenance	340,000	336,540	173,721	162,819
Supplies and materials	153,000	157,000	107,744	49,256
Capital outlays:				
Property	-	100,000	5,900	94,100
Equipment	100,000	30,112	34,477	(4,365)
TOTAL EXPENDITURES	5,713,152	5,845,599	5,557,231	288,368
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(333,803)	(212,872)	150,418	363,290
OTHER FINANCING SOURCES (USES)				
Contingency	(203,043)	(205,937)	-	205,937
Appropriated fund balance	536,846	418,809	-	(418,809)
TOTAL OTHER FINANCING SOURCES	333,803	212,872	-	(212,872)
NET CHANGE IN FUND BALANCE	-	-	150,418	150,418
FUND BALANCE, BEGINNING OF YEAR	1,158,369	1,158,369	1,158,369	-
FUND BALANCE, END OF YEAR	$ 1,158,369	$ 1,158,369	$ 1,308,787	$ 150,418

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

FIRST STATE MONTESSORI ACADEMY, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

	MEASUREMENT DATE		
PROPORTIONATE SHARE OF NET PENSION LIABILITY	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
School's proportion of the net pension liability	0.0784%	0.0577%	0.0011%
School's proportion of the net pension liability - dollar value	$ 1,181,416	$ 384,095	$ 3,968
School's covered employee payroll	$ 1,495,188	$ 1,076,757	$ 19,707
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	79.01%	35.67%	20.13%
Plan fiduciary net position as a percentage of the total pension liability	84.11%	92.67%	95.80%

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.

FIRST STATE MONTESSORI ACADEMY, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL CONTRIBUTIONS

CONTRIBUTIONS	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015
Contractually required contribution	$ 230,744	$ 143,239	$ 102,938
Contributions in relation to the contractually required contribution	230,744	143,239	102,938
Contribution excess	$ -	$ -	$ -
School's covered employee payroll	$ 2,408,601	$ 1,495,188	$ 1,076,757
Contributions as a percentage of covered-employee payroll	9.58%	9.58%	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, 2017

	State Allocation	Local Funding	Federal Funding	Total
ASSETS				
Cash and pooled cash	$ 76,071	$1,678,758	$ -	$1,754,829
Accounts receivable	-	-	9,489	9,489
Prepaid rent	-	32,709	-	32,709
Security deposit	-	107,705	-	107,705
TOTAL ASSETS	$ 76,071	$1,819,172	$ 9,489	$1,904,732
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ -	$ 24,242	$ -	$ 24,242
Accrued salaries and employment costs	-	562,214	9,489	571,703
TOTAL LIABILITIES	-	586,456	9,489	595,945
FUND BALANCES:				
Nonspendable	-	140,414	-	140,414
Restricted - capital renovations	-	100,000	-	100,000
Unassigned	76,071	992,302	-	1,068,373
TOTAL FUND BALANCES	76,071	1,232,716	-	1,308,787
TOTAL LIABILITIES AND FUND BALANCES	$ 76,071	$1,819,172	$ 9,489	$1,904,732

FIRST STATE MONTESSORI ACADEMY, INC.
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	State Allocation	Local Funding	Federal Funding	Total
REVENUES				
Charges to school districts	$ -	$1,822,086	$ -	$1,822,086
State aid	3,462,745	-	-	3,462,745
Federal aid	-	-	107,350	107,350
Earnings on cash and investments	-	21,045	-	21,045
Food service revenue	-	23,792	32,363	56,155
Contributions	-	154,706	-	154,706
School programs	-	83,562	-	83,562
TOTAL REVENUES	3,462,745	2,105,191	139,713	5,707,649
EXPENDITURES				
Current:				
Instructional services	2,524,905	1,287,548	107,350	3,919,803
Operation and maintenance of facilities	714,725	509,185	-	1,223,910
Transportation	183,358	130,860	-	314,218
Food service	350	26,210	32,363	58,923
Capital outlays:				
Property	-	5,900	-	5,900
Equipment	31,527	2,950	-	34,477
TOTAL EXPENDITURES	3,454,865	1,962,653	139,713	5,557,231
NET CHANGE IN FUND BALANCES	7,880	142,538	-	150,418
FUND BALANCES, BEGINNING OF YEAR	68,191	1,090,178	-	1,158,369
FUND BALANCES, END OF YEAR	$ 76,071	$1,232,716	$ -	$1,308,787

FIRST STATE MONTESSORI ACADEMY, INC.
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

EXPENDITURES	
Current:	
Salaries	$ 2,370,071
Employment costs	1,101,229
Travel	1,554
Contractual services	393,203
Communications	4,927
Public utilities services	223,246
Insurance	28,121
Facility costs	798,821
Transportation - buses	314,217
Repairs and maintenance	173,721
Supplies and materials	107,744
Capital outlays:	
Property	5,900
Equipment	34,477
TOTAL EXPENDITURES	$ 5,557,231

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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 7, 2017

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. ("the School"), Wilmington, Delaware, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 7, 2017.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP