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September 26, 2018

To the Board of Directors  
Washington Montessori, Inc.

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington Montessori, Inc. for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 19, 2018. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Washington Montessori, Inc. are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the School's financial statements were:

Management's estimate of the depreciation expense is based on management's estimate of useful lives at June 30, 2018. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was:

The disclosures of property and equipment in Note III.2 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 26, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the budgetary schedules and other schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the

information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the board of directors and management of Washington Montessori, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Rebekah Barr, CPA PC". The signature is written in a cursive, flowing style.

Rebekah Barr, CPA PC  
Wilson, North Carolina





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FINANCIAL STATEMENTS  
WASHINGTON MONTESSORI, INC.  
WASHINGTON, NORTH CAROLINA  
JUNE 30, 2018

WASHINGTON MONTESSORI, INC.  
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FINANCIAL SECTION

WASHINGTON MONTESSORI, INC.

WASHINGTON, NORTH CAROLINA

JUNE 30, 2017

# Rebekah Barr, CPA PC

*Certified Public Accountant*

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## Independent Auditor's Report

Board of Directors  
Washington Montessori, Inc.  
Washington, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington Montessori, Inc., North Carolina, as of and for the year ended June 30, 2018 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.

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, the business-type activities, each major fund, and the aggregate remaining fund information of Washington Montessori, Inc., as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 7-14 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.

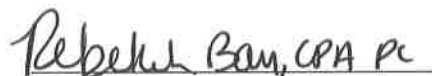
### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Washington Preparatory School's basic financial statements. The combining and individual non-major fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards is the responsibility of management and was derived from and relates 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 and individual non-major fund financial statements, budgetary schedules, other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards 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 26, 2018, on our consideration of Washington Montessori, Inc.'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 Washington Montessori, Inc.'s internal control over financial reporting and compliance.



Rebekah Barr, CPA PC  
Certified Public Accountant  
Wilson, North Carolina

September 26, 2018

**Management's Discussion and Analysis**  
**Washington Montessori, Inc.**  
**June 30, 2018**

As management of Washington Montessori, Inc., we offer readers of Washington Montessori, Inc.'s financial statements this narrative overview and analysis of the financial activities of Washington Montessori, Inc. for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the School's financial statements which follow this narrative.

**Financial Highlights**

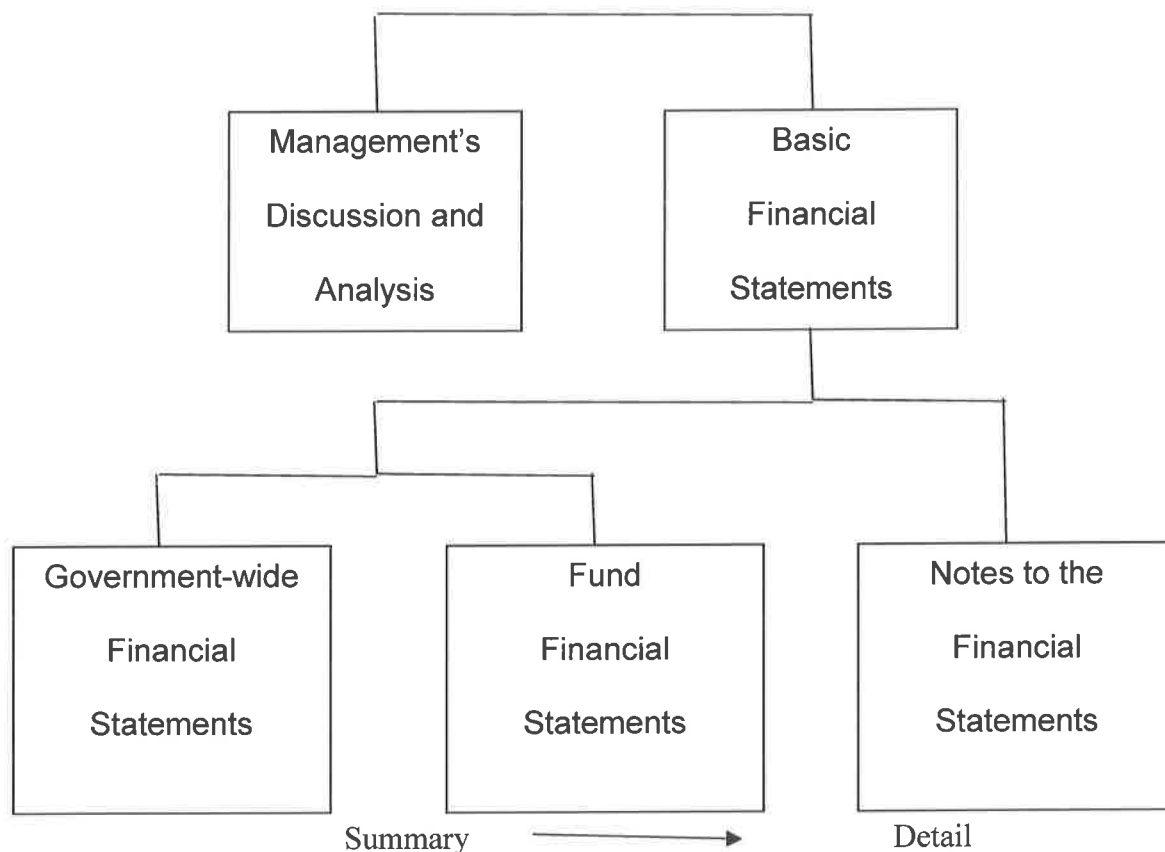
- The assets of Washington Montessori, Inc. exceeded its liabilities and deferred inflows at the close of the fiscal year by \$2,164,224 (*net position*).
- The school's total net position increased by \$917.
- As of the close of the current fiscal year, Washington Montessori, Inc.'s governmental funds reported combined ending fund balances of \$952,357, a decrease of \$9,428 in comparison with the prior year.
- Enrollment continues to increase at the School, rising by 25 students this past year, a 5.4% increase.
- Washington Montessori, Inc.'s total debt decreased by \$182,065 during the current fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Washington Montessori, Inc.'s basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Washington Montessori, Inc.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial status.

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the School's individual funds. Budgetary information for the School also can be found in this section of the statements.

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and how it have changed. Net position is the difference between the School's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. State, county, and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the School charges its students and other customers to provide. These include the Before and After School care and Day School services offered by Washington Montessori, Inc.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Washington Montessori, Inc., like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the School's budget ordinance. All of the funds of Washington Montessori, Inc. can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Washington Montessori, Inc. adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the statutes, the budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what



activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the School has complied with the budget ordinance and whether or not the School has succeeded in providing the services as planned when the budget was adopted.

**Proprietary Funds** – Washington Montessori, Inc. has two proprietary funds, both of which are enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Washington Montessori, Inc. uses enterprise funds to account for its Day School and its Before and after School care programs.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net position may, over time, serve as one useful indicator of a school's financial condition. As of June 30, 2018, the net position of Washington Montessori, Inc. stood at \$2,164,224. The School's net position increased by \$917 for the fiscal year ended June 30, 2018, compared to an increase of \$12,819 in 2017. One of the largest portions reflects the School's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Washington Montessori, Inc. uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although Washington Montessori, Inc.'s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion (9.9%) is restricted for debt service. The remaining balance of \$1,012,320 is unrestricted. In 2017, the amount of net investment in capital assets was \$890,478, with unrestricted net position standing at \$1,009,586.

## Washington Montessori, Inc.'s Net Position

**Figure 2**

	<b>Governmental Activities</b>		<b>Activities</b>		<b>Total</b>	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 970,991	\$ 968,906	\$ 99,609	\$ 90,040	\$ 1,070,600	\$ 1,058,946
Capital assets	5,597,716	5,773,540	43,819	49,130	5,641,535	5,822,670
<b>Total assets</b>	<b>\$ 6,568,707</b>	<b>\$ 6,742,446</b>	<b>\$ 143,428</b>	<b>\$ 139,170</b>	<b>\$ 6,712,135</b>	<b>\$ 6,881,616</b>
Long-term liabilities outstanding	\$ 4,529,123	\$ 4,533,454	\$ -	\$ -	\$ 4,529,123	\$ 4,533,454
Other liabilities	18,634	184,855	154	-	18,788	\$ 184,855
<b>Total liabilities</b>	<b>\$ 4,547,757</b>	<b>\$ 4,718,309</b>	<b>\$ 154</b>	<b>\$ -</b>	<b>\$ 4,547,911</b>	<b>\$ 4,718,309</b>
<b>Net Position:</b>						
Net investment in capital assets	\$ 893,757	\$ 890,478	\$ 43,819	\$ 49,130	\$ 937,576	\$ 939,608
Restricted for debt service	214,328	214,113	-	-	214,328	214,113
Unrestricted	912,865	919,546	99,455	90,040	1,012,320	1,009,586
<b>Total Net Position</b>	<b>\$ 2,020,950</b>	<b>\$ 2,024,137</b>	<b>\$ 143,274</b>	<b>\$ 139,170</b>	<b>\$ 2,164,224</b>	<b>\$ 2,163,307</b>

Several particular aspects of the School's financial operations positively influenced the total unrestricted governmental net position:

- The School adopted an annual budget for all funds. The School's performance was measured using these budgets on a monthly basis, allowing changes in spending as needed to stay within the budget.
- The School applied for and was awarded several federal grants to assist with the expenses of meeting the education needs of special needs children.
- Funding is proportionate to the student population.

**Washington Montessori, Inc. Changes in Net Position**  
**Figure 3**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 226,041	\$ 140,347	\$ 226,041	\$ 140,347
Operating grants and contributions	57,826	-	-	-	57,826	-
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
County, State, and Federal funds	3,251,567	3,054,811	-	-	3,251,567	3,054,811
Grants and contributions not restricted to specific programs	10,394	1,414	-	-	10,394	1,414
Other	56,308	25,319	-	-	56,308	-
<b>Total revenues</b>	<b>3,376,095</b>	<b>3,081,544</b>	<b>226,041</b>	<b>140,347</b>	<b>3,602,136</b>	<b>3,196,572</b>
<b>Expenses:</b>						
Instructional services	2,777,149	2,511,720	-	-	2,777,149	2,511,720
System-wide support services	394,928	295,988	-	-	394,928	295,988
Before and After School	-	-	169,591	113,958	169,591	113,958
Day School	-	-	52,346	50,297	52,346	50,297
Non-programmed charges	-	-	-	-	-	-
Interest on long-term debt	207,205	237,109	-	-	207,205	237,109
<b>Total expenses</b>	<b>3,379,282</b>	<b>3,044,817</b>	<b>221,937</b>	<b>164,255</b>	<b>3,601,219</b>	<b>3,209,072</b>
<b>Increase in net position before transfers</b>	<b>(3,187)</b>	<b>36,727</b>	<b>4,104</b>	<b>(23,908)</b>	<b>917</b>	<b>12,819</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>(3,187)</b>	<b>36,727</b>	<b>4,104</b>	<b>(23,908)</b>	<b>917</b>	<b>12,819</b>
<b>Net position, July 1</b>	<b>2,024,137</b>	<b>1,987,410</b>	<b>139,170</b>	<b>163,078</b>	<b>2,163,307</b>	<b>2,150,488</b>
<b>Net position, June 30</b>	<b>\$ 2,020,950</b>	<b>\$ 2,024,137</b>	<b>\$ 143,274</b>	<b>\$ 139,170</b>	<b>\$ 2,164,224</b>	<b>\$ 2,163,307</b>

**Financial Analysis of the School's Funds**

As noted earlier, Washington Montessori, Inc. uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of Washington Montessori, Inc.'s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Washington Montessori, Inc.'s financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Washington Montessori, Inc. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$738,029, while total fund balance reached \$952,357.

At June 30, 2017, the governmental funds of Washington Montessori, Inc. reported a combined fund balance of \$952,357 a .98% decrease from last year.

**Proprietary Funds.** The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the School Before and After Care and Day School Funds at the end of the fiscal year amounted to \$143,274. The total increase in net position for the Before and After Care and Day School fund was \$4,104. Primary factor influencing the net increase is the discontinuation of snack service to BASC attendees.

### Capital Asset and Debt Administration

**Capital assets.** Washington Montessori, Inc.'s investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals \$5,394,478 (net of accumulated depreciation). These assets include a land, buildings, equipment and furniture, land improvements, playground equipment and electronic equipment.

#### Washington Montessori's Capital Assets (Net of Depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 203,238	\$ 203,238	\$ -	\$ -	\$ 203,238	\$ 203,238
Land improvements	-	4,287	-	-	-	4,287
Building and improvements	5,389,294	5,555,245	-	-	5,389,294	5,555,245
Furniture and fixtures	3,000	3,571	-	-	3,000	3,571
Playground equipment	2,183	2,758	-	-	2,183	2,758
Electronic equipment	1	4,441	-	-	1	4,441
Transportation equipment	-	-	43,819	49,130	43,819	49,130
Total	\$ 5,597,716	\$ 5,773,540	\$ 43,819	\$ 49,130	\$ 5,641,535	\$ 5,822,670

Additional information on the School's capital assets can be found in the notes of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2017, Washington Montessori, Inc. had total debt outstanding of \$4,529,123. The debt consists of mortgages on facilities and compensated absences.

**Washington Montessori's Outstanding Debt  
Note Payable and Capital Leases**

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Mortgages loans	\$4,500,721	\$4,679,824	\$ -	\$ -	\$4,500,721	\$4,679,824
Compensated leave	28,402	31,364	-	-	28,402	31,364
<b>Total</b>	<b>\$4,529,123</b>	<b>\$4,711,188</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$4,529,123</b>	<b>\$4,711,188</b>

Washington Montessori's total debt decreased by \$182,065 during the past fiscal year.

**Economic Factors**

The following key economic indicators reflect the growth and prosperity of the School:

- The Average Daily Membership (ADM) for the school increased by approximately 25 students.
- The Board of directors has carefully tracked the Fund Balance and has internally set it aside for future possible improvements.

**Requests for Information**

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Washington Montessori, 2330 Old Bath Highway, Washington NC 27889, telephone (252) 946-1977.

Washington Montessori, Inc.  
Statement of Net Position  
June 30, 2018

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 618,782	\$ 99,609	\$ 718,391
Restricted cash	214,328	-	214,328
Due from other governments	137,881	-	137,881
Accounts receivable - trade	-	-	-
Prepaid expenses	-	-	-
Security deposits	-	-	-
Capital assets:			
Land, improvements, and construction in progress	203,238	-	203,238
Other capital assets, net of depreciation	5,394,478	43,819	5,438,297
Total capital assets	5,597,716	43,819	5,641,535
Total assets	6,568,707	143,428	6,712,135
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-	-
<b>LIABILITIES</b>			
Accounts payable - trade	18,634	154	18,788
Short-term note payable	-	-	-
Derivative instrument - interest rate swap	-	-	-
Long-term liabilities:			
Compensated absences	28,402	-	28,402
Due within one year	182,832	-	182,832
Due in more than one year	4,317,889	-	4,317,889
Total liabilities	4,547,757	154	4,547,911
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	-	-
<b>NET POSITION</b>			
Net investment in capital assets	893,757	43,819	937,576
Restricted for debt service	214,328	-	214,328
Unrestricted	912,865	99,455	1,012,320
Total net position	\$ 2,020,950	\$ 143,274	\$ 2,164,224

The notes to the financial statements are an integral part of this statement.



Washington Montessori, Inc.  
Statement of Activities  
June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
<b>Primary government:</b>						
Governmental Activities:						
Instructional programs	\$ 2,777,149	\$ -	\$ 57,826	\$ -	\$ (2,719,323)	\$ (2,719,323)
Athletics, arts and clubs	-	-	-	-	-	-
Support services	394,928	-	-	-	(394,928)	(394,928)
Community services	-	-	-	-	-	-
Interest on debt	207,205	-	-	-	(207,205)	(207,205)
Total governmental activities	3,379,282	-	57,826	-	(3,321,456)	(3,321,456)
<b>Business-type activities:</b>						
Before and after school fund	169,591	180,023	-	-	-	10,432
Day school fund	52,346	46,018	-	-	-	(6,328)
Total business-type activities	221,937	226,041	-	-	-	4,104
Total primary government	\$ 3,601,219	\$ 226,041	\$ 57,826	\$ -	(3,321,456)	(3,317,352)
<b>General revenues:</b>						
Unrestricted county appropriations					727,956	727,956
Unrestricted State appropriations					2,523,611	2,523,611
Unrestricted Federal appropriations					-	-
Unrestricted fines and forfeitures					10,394	10,394
Donations - general					-	-
Miscellaneous, unrestricted					56,308	56,308
Transfers					-	-
Total general revenues, special items, and transfers					3,318,269	3,318,269
Change in net position					(3,187)	917
Net position-beginning					2,024,137	139,170
Net position-ending					\$ 2,020,950	\$ 143,274
					\$	\$
					2,164,224	2,164,224

The notes to the financial statements are an integral part of this statement.

**Washington Montessori, Inc.**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 618,782	\$ -	\$ -	\$ 618,782
Restricted cash	214,328	-	-	214,328
Due from other governments	137,881	-	-	137,881
Accounts receivable - other	-	-	-	-
Prepaid items	-	-	-	-
Security deposits	-	-	-	-
Total assets	970,991	-	-	970,991
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable - trade	18,634	-	-	18,634
Short term note payable	-	-	-	-
Total liabilities	18,634	-	-	18,634
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	-	-	-
Fund balances:				
Nonspendable:				
Restricted for debt service	214,328	-	-	214,328
Unassigned	738,029	-	-	738,029
Total fund balances	952,357	-	-	952,357
Total liabilities, deferred inflows of resources, and funds balances	\$ 970,991	\$ -	\$ -	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,597,716
Deferred outflows of resources related to pensions	-
Liabilities for earned but unavailable revenues in fund statements. Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	-
Long term notes payable	(4,500,721)
Compensated absences	(28,402)
Net position of governmental activities	<u>\$ 2,020,950</u>

The notes to the financial statements are an integral part of this statement.

**Washington Montessori, Inc.**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	State Public School	Federal Grants	
<b>Revenues</b>				
State of North Carolina	\$ -	\$ 2,523,611	\$ -	\$ 2,523,611
Local education agencies	727,956	-	-	727,956
U.S. Government	-	-	57,826	57,826
Fines and forfeitures	10,394	-	-	10,394
Contributions and donations	-	-	-	-
Other	56,308	-	-	56,308
Total revenues	794,658	2,523,611	57,826	3,376,095
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional programs	281,023	2,290,330	57,826	2,629,179
Athletics, arts and clubs	-	-	-	-
Support services	136,755	233,281	-	370,036
Community services	-	-	-	-
<b>Capital outlay</b>	-	-	-	-
<b>Debt service:</b>				
Principal	179,103	-	-	179,103
Interest and other charges	207,205	-	-	207,205
Total expenditures	804,086	2,523,611	57,826	3,385,523
Excess (deficiency) of revenues over expenditures	(9,428)	-	-	(9,428)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	-	-	-
Proceeds from debt	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(9,428)	-	-	(9,428)
Fund balances-beginning	961,785	-	-	961,785
Fund balances-ending	\$ 952,357	\$ -	\$ -	\$ 952,357

The notes to the financial statements are an integral part of this statement.

**Washington Montessori, Inc.**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds to the Statements of Activities**  
**For the Year Ended June 30, 2018**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (9,428)
Change in fund balance due to change in reserve for inventory	-
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets 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	(175,824)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	-
Amount of donated assets	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	179,103
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	2,962
Compensated absences	-
Rounding adjustment	-
Total changes in net position of governmental activities	<u>\$ (3,187)</u>

The notes to the financial statements are an integral part of this statement.

Washington Montessori, Inc.  
Statement of Net Position  
Proprietary Funds  
June 30, 2018

	Enterprise Funds		
	Major Fund Before and After School Fund	Non-Major Fund  Day School Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 78,404	\$ 21,205	\$ 99,609
Due from other governments	-	-	-
Accounts receivable - trade	-	-	-
Inventories	-	-	-
Total current assets	78,404	21,205	99,609
Noncurrent assets:			
Capital assets:			
Kitchen equipment, net	-	-	-
Transportation equipment, net	43,819	-	43,819
Total noncurrent assets	43,819	-	43,819
Total assets	\$ 122,223	\$ 21,205	\$ 143,428
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-	-
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable - trade	\$ 154	\$ -	\$ 154
Deferred revenue	-	-	-
Total current liabilities	154	-	154
Long-term liabilities:			
Net pension liability	-	-	-
Total long-term liabilities	-	-	-
Total liabilities	154	-	154
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	-	-
<b>NET ASSETS</b>			
Net investment in capital assets	43,819	-	43,819
Unrestricted	78,250	21,205	99,455
Total net position	\$ 122,069	\$ 21,205	\$ 143,274

The notes to the financial statements are an integral part of this statement.

Washington Montessori, Inc.  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
June 30, 2018

	Enterprise Funds		
	Major Fund Before and After School Fund	Non-Major Fund  Day School Fund	Total
<b>OPERATING REVENUES</b>			
Day school care	\$ -	\$ 46,018	\$ 46,018
After school care	180,023	-	180,023
Total operating revenues	180,023	46,018	226,041
<b>OPERATING EXPENSES</b>			
Salary and related costs	32,690	52,313	85,003
Supplies and materials	56,494	33	56,527
Field trips	63,412	-	63,412
Other purchases	11,684	-	11,684
Depreciation expense	5,311	-	5,311
Total operating expenses	169,591	52,346	221,937
Operating income (loss)	10,432	(6,328)	4,104
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal reimbursements	-	-	-
Total nonoperating revenue (expenses)	-	-	-
Income (loss) before contributions and transfers	10,432	(6,328)	4,104
Capital contributions	-	-	-
Transfers (to) from other funds	-	-	-
Change in net position	10,432	(6,328)	4,104
Total net position - beginning	111,637	27,533	139,170
Total net position - ending	\$ 122,069	\$ 21,205	\$ 143,274

The notes to the financial statements are an integral part of this statement.



**Washington Montessori, Inc.**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Enterprise Funds		
	Major Fund Before and After School Fund	Non-Major Fund Before and After School Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 180,023	\$ 46,018	\$ 226,041
Cash paid to employees for services	(32,536)	(52,313)	(84,849)
Cash paid for goods and services	(131,590)	(33)	(131,623)
Net cash provided (used) by operating activities	15,897	(6,328)	9,569
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Federal reimbursements	-	-	-
Transfer (to) from other funds	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	-	-	-
Acquisition of capital assets	-	-	-
Net cash (used) by capital and related financing	-	-	-
Net increase (decrease) in cash and cash equivalents	15,897	(6,328)	9,569
Balances-beginning of the year	62,507	27,533	90,040
Balances-end of the year	\$ 78,404	\$ 21,205	\$ 99,609
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 10,432	\$ (6,328)	\$ 4,104
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	5,311	-	5,311
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	154	-	154
Increase (decrease) in deferred inflows of resources	-	-	-
Total adjustments	5,465	-	5,465
Net cash provided by operating activities	\$ 15,897	\$ (6,328)	\$ 9,569

The notes to the financial statements are an integral part of this statement.

**Washington Montessori, Inc., North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Washington Montessori, Inc., North Carolina (the School) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities. Because of the authority of the State Board of Education (SBE) to terminate, not renew or seek applicants to assume a charter on grounds sent out in the North Carolina General Statutes at G.S. 115C218.95 with all net assets purchased with the public funds reverting to a local education agency (G.S. 115C218.100), the charter schools in North Carolina follow the governmental reporting model as used by local education agencies. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

Washington Montessori, Inc. is a North Carolina non-profit corporation incorporated in February 2000. Pursuant to the provisions of the Charter School Act of 1996 as amended (the "Act"), Washington Montessori, Inc. has been approved to operate the Washington Montessori Public Charter School, a public school serving approximately 405 students. The School operates under an approved charter received from the SBE and applied for under the provisions of General Statute (G.S.) 115C-218.1. G.S. 115C-218.6(b)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA) and requires the financial statements to be prepared in accordance with GAAP. The current charter is effective until June 30, 2025 and may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter.

**B. Basis of Presentation**

In accordance with GASB Statements No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (GASB 34), Washington Montessori, Inc. is a special-purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

*Government-wide Statements:* The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through inter-governmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the School and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the School's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial

statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The School reports the following major governmental funds:

*General Fund.* The General Fund is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

*State Public School Fund.* The State Public School Fund includes appropriations from the Department of Public Instruction for specific operating needs of the public school system and is reported as a special revenue fund.

The School reports the following non-major governmental fund:

*Federal Fund.* The Federal Fund is used to account for the Federal moneys that are passed through the State Department of Public Instruction to the School.

The School reports the following major enterprise fund:

*After School Care Fund.* The After School Care Fund is used to account for the after school activities conducted by the School.

The School reports the following non-major enterprise fund:

*Day School Fund.* The Day School Fund is used to account for the day school activities conducted by the School.

### C. Measurement Focus and Basis of Accounting

*Government-wide and Proprietary Fund Financial Statement.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted

and unrestricted net position available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

#### D. Budgetary Data

Annual budgets are adopted for all funds on a government-wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget presented in the supplemental data represents the budget of the School at June 30, 2018. All appropriations lapse at year end.

#### E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity

##### 1. Deposits and Investments

All deposits of the School are made in a local bank; whose accounts are FDIC insured. Also, the School has established time deposit accounts such as money market accounts.

##### 2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Cash restricted to payments of principal and interest on USDA loans is reported separately in the financial statements.

##### 4. Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items.

##### 3. Capital Assets

The School's donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	Years
Building	39
Furniture and office equipment	10
Food service equipment	10
Electronic Equipment	3-5

#### 4. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report 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 a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meets the criterion for this category for the current fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has one item that meet the criterion for this category - unearned revenue. The School has no items that meet the criterion for this category.

#### 5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statements of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

#### 6. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual leave balances. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The School accounts for its leave on a first-in, first-out basis, such that the oldest available leave is used first. The current portion of the liability is recorded as such in the government-wide financial statements.

#### 7. Net Position/Fund Balances

##### Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

##### Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories- portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items- portion of fund balance that is not an available resource because it represents the year-end balance of prepaid rent on the school facility which is not a spendable resource.

Restricted Fund Balance –This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Committed Fund Balance – portion of fund balance that can only be used for specific purpose imposed by majority vote of the School's governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned Fund Balance – Portion of fund balance the Washington Montessori, Inc. intends to use for specific purposes.

Assigned for Clubs and Activities Fund – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fundraising activities for which they are collected.

Unassigned Fund Balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the general fund.

Washington Montessori, Inc. has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the School.



8. The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$1,068,593 consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 7,116,548
Less accumulated depreciation	(1,518,832)
Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	-
Contributions made to the pension plan in current fiscal year	-
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Long-term notes payable	(4,500,721)
Capital leases payable	-
Bonds payable	-
Compensated absences	(28,402)
Net pension liability	-
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	-
Differences between projected and actual earnings on plan investments	-
Total adjustment	<u>\$ 1,068,593</u>

F. Revenues, Expenditures, and Expenses

1. Funding

The Washington Montessori, Inc. is funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the school is located (i.e. Wilson County Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective unit for the fiscal year. [G.S. 115C.238.29H(b)]. For the fiscal year ended June 30, 2018, the Washington Montessori School, Inc. received funding from the Boards of Education for Beaufort County (\$353,227), Craven County (\$8,742), Edenton-Chowan County (\$2,623), Martin County (44,238), Pitt County (\$170,663), and Washington County (\$12,954).

Furthermore, Washington Montessori, Inc. has received donations of cash and/or equipment from individuals and private organizations. The cash has been used for general fund activities.

## 2. Reconciliation between government-wide and fund statements

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a reconciliation between the change in fund balance – governmental activities and the change in net position – governmental funds as reported on the government-wide statement of activities. The net difference of \$6,241 between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ -
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(175,824)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	-
New debt issued during the year is recorded as a source of funds on the fund statements but has no effect on the statement of activities, only the statement of net assets.	-
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements.	179,103
Rounding adjustment	-
Compensated absences	<u>2,962</u>
Total	<u>\$ 6,241</u>

### G. Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

## II. Stewardship, Compliance, and Accountability

### A. Material Violations of Finance-Related Legal and Contractual Provisions

#### Noncompliance with North Carolina General Statutes

None.

#### Contractual Violations

None.

### B. Deficit Fund Balance or Net position of Individual Funds

None.

### III. Detail Notes on All Funds

#### A. Assets

##### 1. Deposits

At June 30, 2018, the School had deposits with banks and savings and loans with a carrying amount of \$932,719. The bank balances with the financial institutions totaled \$943,376, of which \$468,011 is insured by the FDIC at June 30, 2018. The remaining \$475,365 is a credit risk. The School does not have a deposit policy for custodial credit risk. The School is reporting \$214,328 of total cash as restricted. This amount is restricted for future USDA loan payments.

##### 2. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 203,238	\$ -	\$ -	\$ 203,238
Construction in progress	-	-	-	-
Total capital assets not being depreciated	203,238	-	-	203,238
Capital assets being depreciated:				
Land improvements	85,750	-	-	85,750
Building and improvements	6,638,002	-	-	6,638,002
Furniture and fixtures	94,650	-	-	94,650
Playground equipment	5,756	-	-	5,756
Electronic equipment	89,152	-	-	89,152
Total capital assets being depreciated	6,913,310	-	-	6,913,310
Less accumulated depreciation for:				
Land improvements	81,463	4,287	-	85,750
Building and improvements	1,082,757	165,951	-	1,248,708
Furniture and fixtures	91,079	571	-	91,650
Playground equipment	2,998	575	-	3,573
Electronic equipment	84,711	4,440	-	89,151
Total accumulated depreciation	1,343,008	\$ 175,824	\$ -	1,518,832
Total capital assets being depreciated	5,570,302			5,394,478
Governmental activity capital assets, net	\$ 5,773,540			\$ 5,597,716

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 150,932
Supporting services	24,892
	<u>\$ 175,824</u>

	Beginning	Increases	Decreases	Ending
Business-type activities:				
Before & After School Fund:				
Capital assets being depreciated:				
Transportation equipment	\$ 53,114	\$ -	\$ -	\$ 53,114
Total capital assets being depreciated	53,114	-	-	53,114
Less accumulated depreciation for:				
Transportation equipment	3,984	5,311	-	9,295
Total accumulated depreciation	3,984	\$ 5,311	\$ -	9,295
Total capital assets being depreciated, net	49,130			43,819
Business-type activity capital assets, net	<u>\$ 49,130</u>			<u>\$ 43,819</u>

## B. Liabilities

### 1. Retirement Plan

Washington Montessori, Inc. maintains a 403(b) pension plan that provides for School contributions as well as elective deferrals. During 2018, the School contributed a total of \$36,320 to the plan and employees contributed \$63,140. The School also sponsors a SEP-IRS to which only employees may make contributions.

### 2. Long-Term Obligations

#### a.) Note Payable

Note Payable to the U.S. Department of Agriculture, bearing interest at 4.25%, payable in annual installments of \$89,400, including interest on March 28<sup>th</sup>, secured by deed of trust. At June 30, 2018, the balance of the note was \$1,109,014.

Note Payable to the U.S. Department of Agriculture, bearing interest at 4.75%, payable in monthly installments of \$3,397, including interest, secured by deed of trust. At June 30, 2018, the balance of the note was \$149,682.

Note Payable to the U.S. Department of Agriculture, bearing interest at 4.00%, payable in annual installments of \$82,047 on February 17<sup>th</sup>, including interest, secured by deed of trust. At June 30, 2018, the balance of the note was \$1,183,413.

Note Payable to Select Bank, bearing interest at 4.75%, payable in interest only payments, secured by deed of trust. At June 30, 2018, the balance was \$2,194,774. The note was refinanced from a construction loan to a fixed mortgage, bearing interest rate of 4.75% with monthly payments of \$2,058,612.

Annual debt service requirements to maturity for long-term debt obligations are as follows:

Future Maturities are as follows:	Principal	Interest	Total
Debt service fiscal 2019	\$ 185,832	\$ 197,079	\$ 382,911
Debt service fiscal 2020	2,098,680	181,045	2,279,725
Debt service fiscal 2021	121,147	91,064	212,211
Debt service fiscal 2022	126,430	85,781	212,211
Debt service fiscal 2023	90,529	80,918	171,447
Debt service fiscal 2024-2028	517,165	345,215	862,380
Debt service fiscal 2029-2033	627,408	230,096	857,504
Debt service fiscal 2034-2038	585,367	89,273	674,640
Debt service fiscal 2039-2040	148,163	5,992	154,155
	<u>\$ 4,500,721</u>	<u>\$ 1,306,463</u>	<u>\$ 5,807,184</u>

The School is in compliance with each USDA loan covenants in that the property is used for school facilities; no illegal activities or activities that may impair the property are conducted on school grounds; the property is open for inspection by the USDA and other governmental agencies; the property is insured at replacement cost; all taxes, liens, judgements, assessments and encumbrances on the property have been paid in a timely manner; all payments of principal and interest have been made in a timely manner; the School is in compliance with the Civil Rights Act; and the property and any improvements are maintained in good condition.

b). Changes in General Long-Term Obligations

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion
Governmental activities:					
Notes payable	\$ 4,679,824	\$ -	\$ 179,103	\$ 4,500,721	\$ 185,832
Compensated absences	31,364	-	2,962	28,402	28,402
Total	<u>\$ 4,711,188</u>	<u>\$ -</u>	<u>\$ 182,065</u>	<u>\$ 4,529,123</u>	<u>\$ 214,234</u>

C. Fund Balance

Washington Montessori, Inc. has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-School funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the School.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

<b>Total fund balance</b>	<b>\$952,357</b>
<b>Less:</b>	
<b>Inventories</b>	-
<b>Restricted for debt service</b>	214,328
<b>Appropriated Fund Balance in 2016 budget</b>	-
<b>Remaining Fund Balance</b>	<b>\$738,029</b>

D. Related Party Transactions

The School employs as part of its educational staff an employee and the employee's spouse. These individuals are compensated at market rates.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

V. Subsequent Events – Date of Management's Review

The School has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The School has not evaluated subsequent events after that date.

## **NON-MAJOR FUNDS**

Federal Grants Fund -	This fund is used to account for the federal grant activity of the school.
Day School Fund -	This fund is used to account for the day school that the students attend at the school.

## Statement 1

**Washington Montessori, Inc.**  
**Non-major Governmental Fund**  
**Balance Sheet**  
**June 30, 2018**

	Special Revenue Funds
<b>Assets</b>	
Cash and cash equivalents	\$ -
Due from other governments	-
Total assets	<u>\$ -</u>
 <b>Liabilities and Fund Balances</b>	
Liabilities	
Accrued salaries and wages payable	\$ -
Deferred revenue	-
Total liabilities	<u>-</u>
 Fund balances-unreserved	-
Total liabilities and fund equity	<u>\$ -</u>



## Statement 2

**Washington Montessori, Inc.**  
**Non-major Governmental Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2018**

	Special Revenue Funds
	Totals 2018
Revenues:	
U.S. Government	
Idea VI-B Handicapped	\$ 56,906
Improving Teacher Quality	20
Children with Special Needs	-
Idea VI-B Targeted Assistance	900
Total	57,826
Donations	-
Other	-
Total	-
Total Revenues	57,826
Expenditures:	
Current	
Instructional programs:	
Regular programs	20
Special programs	57,806
Alternative programs	-
School-based support services	-
Total	57,826
Support services:	
Special population	-
Total	-
Non-programmed charges:	
Other	-
Total	-
Total expenditures	57,826
Revenues over expenditures	-
Fund balances:	
Beginning of year, July 1	-
End of year, June 30	\$ -