

ABINTRA MONTESSORI SCHOOL
FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT
JUNE 30, 2017 AND 2016

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of Abintra Montessori School
Nashville, Tennessee

We have reviewed the accompanying financial statements of Abintra Montessori School (the "School"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 of material misstatement, whether due to fraud or error.

ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

ACCOUNTANT'S CONCLUSION

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

REPORT ON RESTATEMENT ADJUSTMENTS TO JUNE 30, 2016 FINANCIAL STATEMENTS

As part of our review of the June 30, 2016 financial statements, we also reviewed the adjustments described in Note 12 that were applied to restate the June 30, 2016 financial statements. Based on our review, we are not aware of any material modifications that should be made to the adjustments that were applied to restate the June 30, 2016 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Knight CPAs PLLC

Nashville, Tennessee

January 30, 2018

ABINTRA MONTESSORI SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

	<u>2017</u>	<u>2016</u> (Restated)
<u>ASSETS</u>		
Cash	\$ 779,961	\$ 633,032
Tuition and fees receivable, net	1,290,555	1,184,935
Prepaid expenses	19,734	42,940
Board-designated endowment assets:		
Cash	65,015	75,282
Investments	703,597	1,229,222
Property and equipment, net	<u>2,289,737</u>	<u>2,402,042</u>
TOTAL ASSETS	<u>\$ 5,148,599</u>	<u>\$ 5,567,453</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accrued payroll and expenses	\$ 46,649	\$ -
Deferred revenue	1,779,298	1,786,339
Note payable	<u>620,264</u>	<u>1,218,219</u>
TOTAL LIABILITIES	<u>2,446,211</u>	<u>3,004,558</u>
<u>NET ASSETS</u>		
Unrestricted - undesignated	1,933,776	1,258,391
Unrestricted - board designated endowment fund	<u>768,612</u>	<u>1,304,504</u>
TOTAL NET ASSETS	<u>2,702,388</u>	<u>2,562,895</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,148,599</u>	<u>\$ 5,567,453</u>

See accompanying notes to financial statements.

ABINTRA MONTESSORI SCHOOL

STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

	<u>2017</u>	<u>2016</u> (Restated)
REVENUES AND SUPPORT - UNRESTRICTED		
Tuition and fees, net	\$ 1,943,963	\$ 1,757,172
Auxiliary programs	124,277	121,107
Contributions	58,346	59,783
Investment (loss) income, net	(30,021)	137,409
Loss on disposal of equipment	(1,432)	-
Other revenues	<u>40,311</u>	<u>47,074</u>
TOTAL REVENUES AND SUPPORT	<u>2,135,444</u>	<u>2,122,545</u>
EXPENSES		
Program services:		
Academic program	1,615,641	1,676,129
Auxiliary program	<u>57,837</u>	<u>91,188</u>
Total program services	<u>1,673,478</u>	<u>1,767,317</u>
Supporting services:		
General and administrative	311,609	312,722
Fundraising	<u>10,864</u>	<u>8,058</u>
Total support services	<u>322,473</u>	<u>320,780</u>
TOTAL EXPENSES	<u>1,995,951</u>	<u>2,088,097</u>
CHANGE IN NET ASSETS	139,493	34,448
NET ASSETS - BEGINNING OF YEAR, as restated	<u>2,562,895</u>	<u>2,528,447</u>
NET ASSETS - END OF YEAR	<u>\$ 2,702,388</u>	<u>\$ 2,562,895</u>

See accompanying notes to financial statements.

ABINTRA MONTESSORI SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

	2017					
	Program Services		Total Program Services	General and Fundraising		Total
	Academic Program	Auxiliary Program		Administrative		
Salaries and wages	\$ 934,398	\$ 22,516	\$ 956,914	\$ 168,867	\$ -	\$ 1,125,781
Payroll taxes and employee benefits	289,362	3,288	292,650	36,170	-	328,820
Professional fees	-	-	-	64,717	-	64,717
Equipment rent	-	-	-	3,898	-	3,898
Utilities	41,634	7,807	49,441	2,602	-	52,043
Repairs and maintenance	67,467	3,627	71,094	1,451	-	72,545
Supplies	68,087	8,511	76,598	8,511	-	85,109
Insurance	21,120	1,147	22,267	689	-	22,956
Professional development	9,982	-	9,982	-	-	9,982
Postage	-	-	-	1,372	-	1,372
Advertising	-	-	-	11,047	-	11,047
Interest expense	34,701	2,264	36,965	754	-	37,719
Bank and credit card fees	-	-	-	595	2,906	3,501
Event expenses	2,653	-	2,653	-	7,958	10,611
Association and license fees	-	-	-	4,781	-	4,781
Board expenses	2,170	272	2,442	271	-	2,713
Bad debt expense	3,620	905	4,525	-	-	4,525
Other expenses	2,463	-	2,463	1,385	-	3,848
Depreciation	137,984	7,500	145,484	4,499	-	149,983
	<u>\$ 1,615,641</u>	<u>\$ 57,837</u>	<u>\$ 1,673,478</u>	<u>\$ 311,609</u>	<u>\$ 10,864</u>	<u>\$ 1,995,951</u>

See accompanying notes to financial statements.

2016 (Restated)

Program Services		Total	General		
Academic	Auxiliary	Program	and		
Program	Program	Services	Administrative	Fundraising	Total
\$ 1,035,176	\$ 31,860	\$ 1,067,036	\$ 182,796	\$ -	\$ 1,249,832
245,724	2,335	248,059	30,510	-	278,569
-	-	-	16,103	-	16,103
-	-	-	5,691	-	5,691
31,587	1,647	33,234	31,885	-	65,119
63,958	3,669	67,627	1,476	-	69,103
57,536	38,220	95,756	11,206	-	106,962
22,204	1,100	23,304	747	-	24,051
12,367	-	12,367	50	-	12,417
-	-	-	1,901	-	1,901
-	12	12	13,319	-	13,331
49,135	2,930	52,065	1,198	-	53,263
-	21	21	2,678	755	3,454
2,455	-	2,455	-	7,303	9,758
-	-	-	6,696	-	6,696
2,951	369	3,320	369	-	3,689
-	-	-	-	-	-
1,659	-	1,659	1,925	-	3,584
151,377	9,025	160,402	4,172	-	164,574
<u>\$ 1,676,129</u>	<u>\$ 91,188</u>	<u>\$ 1,767,317</u>	<u>\$ 312,722</u>	<u>\$ 8,058</u>	<u>\$ 2,088,097</u>

ABINTRA MONTESSORI SCHOOL

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

	<u>2017</u>	<u>2016</u> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 139,493	\$ 34,448
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	149,983	164,574
Loss on disposal of equipment	1,432	-
Net realized and unrealized losses (gains) on investments	41,909	(123,503)
(Increase) decrease in:		
Receivables	(105,620)	(1,099,089)
Prepaid expenses and other	23,206	(4,446)
Increase (decrease) in:		
Accrued payroll and expenses	46,649	-
Deferred revenue	(7,041)	1,217,221
TOTAL ADJUSTMENTS	<u>150,518</u>	<u>154,757</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>290,011</u>	<u>189,205</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(39,110)	(78,196)
Proceeds from sale of investments	813,115	473,658
Purchase of investments	<u>(329,399)</u>	<u>(603,028)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>444,606</u>	<u>(207,566)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	<u>(597,955)</u>	<u>(82,322)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(597,955)</u>	<u>(82,322)</u>
NET INCREASE (DECREASE) IN CASH	136,662	(100,683)
CASH - BEGINNING OF YEAR	<u>708,314</u>	<u>808,997</u>
CASH - END OF YEAR	<u>\$ 844,976</u>	<u>\$ 708,314</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	<u>\$ 37,719</u>	<u>\$ 53,263</u>

See accompanying notes to financial statements.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

NOTE 1 - GENERAL

Abintra Montessori School (the "School") is a Tennessee not-for-profit organization incorporated on August 5, 1980. The School is an independent, nonprofit school providing a quality education for children in the Nashville area, serving children ages two-and-a-half to fourteen years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of the School on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Resources are classified as unrestricted, temporarily restricted, or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations.

The School had no temporarily restricted or permanently restricted net assets as of June 30, 2017 or 2016.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Donated equipment is reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. The School generally pays for services requiring specific expertise. Volunteers also provided their time to perform a variety of tasks that assist the School that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Tuition and Fees Receivable

Tuition and fees receivable represent tuition and fees that are collectible under signed enrollment agreement contracts. Certain contracts call for payments to be made at specified dates and all are expected to be collected within one year. An allowance for doubtful accounts is provided based on management's estimate of uncollectible tuition and historical trends. Tuition and fees receivable are written off when deemed uncollectible. In management's opinion, no allowance for doubtful accounts was necessary as of June 30, 2017 or 2016.

Deferred Revenue

Deferred revenue results from the School recognizing tuition revenue in the period in which the related educational instruction is performed. Accordingly, the enrollment deposit and any tuition fees received for the next school term, and receivables recognized as a result of signed enrollment contracts, are deferred until the start of the fiscal year during which instruction occurs. Deferred revenues are recognized throughout the academic year based on the period that the educational instruction is performed.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are reported at cost at the date of purchase or at estimated fair value at date of gift to the School. The School's policy is to capitalize purchases and or improvements with a cost of \$500 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from 5 to 30 years for buildings, grounds and improvements, 3 to 15 years for equipment and furnishings, five years for vehicles, and 3 to 7 years for educational materials.

Tuition, Scholarships and Financial Aid

Gross tuition and fees reflects the School's normal tuition rates for all students. Dependents of the School's qualifying employees receive 50% remission applied to normal tuition rates owed. Tuition remission and expenses for scholarships given on the basis of financial need are netted against gross tuition and fees in the Statement of Activities.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment return in excess of amounts designated for current operations includes the School's gains and losses on investments bought and sold as well as held during the year. Investment income is reported net of investment fees.

Income Taxes

The School qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

The School files U. S. Federal Form 990 for organizations exempt from income tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the School's income tax return to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there were no provisions for income taxes, penalties, or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The School classifies its investments based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market, but for which observable market inputs are readily available), and Level 3 (securities valued based on significant, unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

Equities and Real Estate Investment Trusts - Fair values for equity and real estate investment trusts are determined by reference to quoted market prices and other relevant information generated by market transactions.

No changes in the valuation methodologies have been made since the prior year.

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

Endowment Funds

The School has funds designated by the Board to function as in endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Permanently restricted endowment funds are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act ("SUPMIFA"). There are no permanently restricted endowment funds held by the School as of June 30, 2017 or 2016.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds (Continued)

Endowment Investment Return Objective, Parameters and Strategies

The School is committed to an investment policy for its endowment and cash funds which is both enduring and flexible. The School seeks a balance in the management of the funds that will help support its current spending needs and which will ensure future funds will exist to help support future spending needs. In practical terms, this implies that the funds, at a minimum, must grow by an amount equal to the rate of inflation plus the amount the School has budgeted to help support the current spending needs. With respect to short-term cash funds, the School intends to maximize the return of short-term funds in excess of operating requirements, while at the same time minimizing risk and assuring the safety of principal.

While the School desires as little volatility in the returns of the funds as possible, it recognizes that some volatility is unavoidable to meet its investment objectives over time. The funds must be invested in assets that will grow in value, such as equity securities, and in assets that will produce stable income, such as fixed-income securities. The School expects investments in equity securities to have greater volatility than fixed-income securities. The funds will be invested in a balance of equity and fixed-income securities. The account shall be considered a balance account containing both debt and equity securities, and managed for "total return," a combination of both growth and income.

Endowment Spending Policy

Investment earnings from the endowment fund are generally reinvested in endowment fund assets.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program, supporting service, or activity based on objectively evaluated financial and nonfinancial data or reasonable, subjective methods determined by management.

Use of Estimates

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

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The School is currently evaluating the effect that the updated standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The School is currently evaluating the impact the adoption of this guidance will have on its financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on net assets or the change in net assets as previously reported.

Events Occurring After Reporting Date

The School has evaluated events and transactions that occurred between June 30, 2017 and January 30, 2018, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The School maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The School's cash balances may at times exceed statutory limits. The School has not experienced any losses in such accounts and management considers this to be a normal business risk.

The School also maintains investment balances with a brokerage and investment company. These investments consist of certificates of deposit and various equities. Generally, they are not insured by the FDIC or any other government agency and are subject to investment risk, including the risk of loss of principal. Investors are provided limited protection by the Securities Investor Protection Corporation ("SIPC"), a nonprofit membership corporation funded by its member securities broker dealers. SIPC covers investor losses, in some cases, attributable to bankruptcy or fraudulent practices of brokerage firms up to \$500,000 per broker (including \$250,000 of cash).

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, is as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 821,585	\$ 821,585
Buildings, grounds and improvements	3,428,247	3,424,780
Equipment and furnishings	442,706	411,385
Vehicles	64,084	64,084
Educational materials	<u>122,299</u>	<u>122,312</u>
Total property and equipment	4,878,921	4,844,146
Less: accumulated depreciation	<u>(2,589,184)</u>	<u>(2,442,104)</u>
Net property and equipment	<u>\$ 2,289,737</u>	<u>\$ 2,402,042</u>

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

NOTE 5 - INVESTMENTS

Investments consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Certificates of deposit	\$ 500,158	\$ 500,000
Equities	184,225	672,843
Real estate investment trusts	<u>19,214</u>	<u>56,379</u>
Total	<u>\$ 703,597</u>	<u>\$1,229,222</u>

The following schedule summarizes the investment returns in the Statement of Activities for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Investment income	\$ 11,888	\$ 13,906
Net realized and unrealized (losses) gains on investments	<u>(41,909)</u>	<u>123,503</u>
Total	<u>\$ (30,021)</u>	<u>\$ 137,409</u>

Investment income has been reduced by investment fees of \$10,946 and \$12,151 for the years ended June 30, 2017 and 2016, respectively.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

NOTE 6 - BOARD-DESIGNATED ENDOWMENT

A summary of activity involving the board-designated endowment assets for the years ended June 30 is as follows:

	<u>2017</u>
Endowment assets, July 1, 2016	\$ 1,304,504
Appropriation for paydown of note payable	(500,000)
Appropriation for operations	(5,871)
Investment income	11,888
Realized and unrealized gains	<u>(41,909)</u>
Endowment assets, June 30, 2017	<u>\$ 768,612</u>
	<u>2016</u>
Endowment assets, July 1, 2015	\$ 980,352
Transfer to board-designated endowment	200,000
Appropriation for operations	(12,628)
Investment income	13,277
Realized and unrealized gains	<u>123,503</u>
Endowment assets, June 30, 2016	<u>\$ 1,304,504</u>

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

NOTE 7 - FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the School's assets at fair value as of June 30:

		2017			
		Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>					
Equities:					
Basic industries	\$	4,619	\$	-	\$ 4,619
Consumer goods and services		42,232		-	42,232
Energy		26,507		-	26,507
Healthcare		36,910		-	36,910
Utilities		73,957		-	73,957
Real estate investment trusts		19,214		-	19,214
Total financial assets	\$	<u>203,439</u>	\$	<u>-</u>	\$ <u>203,439</u>
		2016			
		Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>					
Equities:					
Basic industries	\$	50,049	\$	-	\$ 50,049
Consumer goods and services		189,236		-	189,236
Energy		57,097		-	57,097
Healthcare		118,402		-	118,402
Utilities		258,059		-	258,059
Real estate investment trusts		56,379		-	56,379
Total financial assets	\$	<u>729,222</u>	\$	<u>-</u>	\$ <u>729,222</u>

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

NOTE 8 - NOTE PAYABLE

Note payable consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
Mortgage loan - principal and interest at 3.99%, due in monthly installments of \$11,130, with final payment of remaining principal balance due November 2027, secured by deed of trust on real estate with a carrying value of \$1,985,000.	<u>\$ 620,264</u>	<u>\$ 1,218,219</u>

The note agreement requires the School to meet certain financial covenants, including a minimum debt service coverage ratio.

The following is a summary by year of the principal maturities of the note payable as of June 30, 2017:

Year ended June 30:

2018	\$ 110,844
2019	115,348
2020	120,036
2021	124,914
2022	129,990
Thereafter	<u>19,132</u>
	<u>\$ 620,264</u>

Interest expense on the note payable for the years ended June 30, 2017 and 2016 amounted to \$37,719 and \$53,263, respectively.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

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NOTE 9 - TUITION AND FEES

Tuition and fees for the year ended June 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
Gross tuition and fees	\$ 2,086,974	\$ 2,001,877
Less:		
Financial aid	(67,076)	(85,320)
Tuition remission expense - faculty children	<u>(75,935)</u>	<u>(159,385)</u>
Tuition and fees, net	<u>\$ 1,943,963</u>	<u>\$ 1,757,172</u>

NOTE 10 - RETIREMENT PLAN

The School sponsors a Section 403(b) retirement plan. The plan allows employees to make voluntary contributions, subject to certain limitations under the Internal Revenue Code. The plan provides for matching contributions for each employee deferral contribution, subject to limitations. Total contributions by the School to the plan amounted to \$29,499 and \$34,287 for the years ended June 30, 2017 and 2016, respectively.

NOTE 11 - DEFERRED COMPENSATION PLAN

The School provides a deferred compensation plan to its Executive Director which provides for payment of benefits upon retirement. The plan allows voluntary contributions, subject to certain limitations under the Internal Revenue Code. The plan provides for employer non-elective contributions to the plan as determined annually by the School's Board of Trustees. Total contributions by the School to the plan amounted to \$18,000 during both the years ended June 30, 2017 and 2016.

ABINTRA MONTESSORI SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

NOTE 12 - RESTATEMENT OF BEGINNING NET ASSETS

Net assets as of July 1, 2015 and June 30, 2016 have been adjusted to properly account for certain transactions related to compensated absences. The effect of the restatement was to increase unrestricted net assets by \$72,019 as of July 1, 2015, increase salaries and wages expense for the year ended June 30, 2016 by \$11,395 and decrease unrestricted net assets by \$11,395 as of June 30, 2016. A schedule summarizing the restatement follows:

Net assets as of July 1, 2015, as previously reported	\$ 2,456,428
To reduce accrual of 2015 sick leave	<u>72,019</u>
Net assets as of July 1, 2015, as restated	<u>2,528,447</u>
Change in net assets for the year ended June 30, 2016, as previously reported	45,843
To increase 2016 salaries and wages expense	<u>(11,395)</u>
Change in net assets for the year ended June 30, 2016, as restated	<u>34,448</u>
Net assets as of June 30, 2016, as restated	<u>\$ 2,562,895</u>