

**South Carolina Education Oversight Committee (EOC)  
Annual Standards Assurance Form**

H.4077 (R.247) as Signed by the Governor on May 18, 2018

2018-19

**Document A – Application for Continued Participation in ECENC Program**

Please complete the information requested below concerning your independent school. This information will be listed on the South Carolina Education Oversight Committee's website, [www.eoc.sc.gov](http://www.eoc.sc.gov).

Independent School Name:	Montessori School of Anderson
Independent School Contact Person:	Ms. Kim Thompson
Independent School Address:	280 Sam McGee Rd.
City, State, Zip Code:	Anderson, SC 29621
Independent School Telephone Number:	(864)-226-5344
Independent School Fax Number:	(864)-231-6562
Independent School E-mail Address:	kthompson@msasc.org
Independent School Website Address:	www.msasc.org

Please review the standards below based on H.4077 (R.247) as signed by the Governor on May 18, 2018. An "eligible school" is defined as "an independent school including those religious in nature, other than a public school, at which the compulsory attendance requirements of Section 59-65-10 may be met," and does not discriminate based on the grounds of race, color, or national origin. Please indicate whether your school has met each standard to ensure the following academic requirements are being met. The S.C. Education Oversight Committee reserves the right to request additional documentation to show the school is in compliance with state law.

STANDARDS	YES	NO
1. Offers a general education to primary or secondary school students.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Does not discriminate on the basis of race, color, or national origin.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. Is located in this state.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. Has an educational curriculum that includes courses set forth in the state's diploma requirements, graduation certificate requirements (for special needs children), and where the students attending are administered national achievement or state standardized tests, or both, at progressive grade levels to determine student progress. Please	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5. Has school facilities that are subject to applicable federal, state, and local laws.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6. Is a member in good standing of the Southern Association of Colleges and Schools, the South Carolina Association of Christian Schools, the South Carolina Independent Schools Association, or the Palmetto Association of Independent Schools.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7. Provides a specially designed program or learning resource center to provide needed accommodations based on the needs of exceptional needs students or provides onsite educational services or supports to meet the needs of exceptional needs students, or is a school specifically existing to meet the needs of only exceptional needs students with documented disabilities. Please provide a summary of the services provided based on exceptional needs of students served.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. Did this school receive any grants last fiscal year (July 1, 2017 until June 30, 2018) from Exceptional SC from the Educational Credit for Exceptional Needs Children Fund? Please complete Document B.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. By December 31, 2018, will your school submit school-level test score results from the prior school year on national achievement tests and individual student test scores for students who received a grant from Exceptional SC in the prior school year? Please complete Document C.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. By December 31, 2018, will your school provide a "compilation, review, or compliance audit of the organization's financial statements as relating to the grants received, conducted by a certified public accounting firm"? Please complete Document D.	<input checked="" type="checkbox"/>	<input type="checkbox"/>

I assure that all documents submitted to the SC Education Oversight Committee for the purpose of applying as an eligible school, as defined by state law, is true, accurate, and complete under penalty of perjury in accordance with Section 16-9-10 of the South Carolina Code of Laws.

Signature: Jeanie Henderson

Date: June 4, 2018

Print Name of Signature Above: Jeanie Henderson

Title: Coordinator of academic services

Email: jhenderson@msasc.org

**Return this form to Melanie Barton**

- Phone: 803.734.6148
- E-mail: [mbarton@eoc.sc.gov](mailto:mbarton@eoc.sc.gov)
- Mail: P.O. Box 11867  
Columbia, S.C. 29211
- Fax: 803.734.6167
- Physical Location:  
1205 Pendleton Street  
Room 502 Brown Building  
Columbia, SC 29201

**Evidence of services and supports (#7)**

The Montessori School of Anderson uses the Montessori Curriculum and Prepared Classroom to assist students that are identified as having Mild AD/HD, Mild Learning Disabilities in Reading and Math, Dyslexia and Mild Autism Spectrum Disorder. The school has one educator who has an undergraduate degree in Special Education. There are at least two teachers trained in the Orton-Gillingham method to work with students with dyslexia. We also coordinate with outside therapists that are contracted by the parents, local district or BabyNet to provide related services to the students who may need them. All students who have been identified as having a disability are given a Student Education Plan that helps the teachers give them the appropriate accommodations necessary in the classroom. There also is a process in place for any students who may have suspected disabilities.

**Document B  
Grants Received**

**Application for Continued Participation  
Educational Credit for Exceptional Needs Children (ECENC) Program  
2018-2019**

Independent School Name: Montessori School of Anderson

An independent school continuing to participate in the Educational Credit for Exceptional Needs Children for Fiscal Year 2018-19 is required to submit the following information:

***Total number of grants and total amount of grants received in the preceding fiscal year, from July 1, 2017 through June 30, 2018.***

Please complete the following chart. If no grants for any qualifying student were received from Exceptional SC in Fiscal Year 2017-18, please indicate with "0" grants received and "\$0" in total amount of grants received.

Total Number of Grants Received	Total Amount of Grants Received
10	\$ 39,913.50

Total number of grants is the number of individual children/students who received a grant even if the school received more than one grant for a specific child/student. The total amount of grants per child/student should not have exceeded \$11,000.

**Document C**  
**Student Assessment Data**

**Application for Continued Participation**  
**Educational Credit for Exceptional Needs Children (ECENC) Program**  
**2018-2019**

**Independent School Name:** Montessori School of Anderson

An independent school applying for continued participation in the Educational Credit for Exceptional Needs Children Program for Fiscal Year 2018-19 is required to submit the following information by December 31, 2018:

*Student test scores, by category, on national achievement or state standardized tests, or both, for all grades tested and administered by the school receiving or entitled to receive scholarship grants pursuant to this section in the previous school year. The school shall also provide individual student test scores on national achievement or state standardized tests, or both, for any student in grades one through twelve who received a grant from the program during the prior school year. The information must be used to provide program level reports to determine whether students participating in the program have experienced measurable improvement. Students with disabilities for whom standardized testing is not appropriate are exempt from this requirement.*

*Section 12-6-3790(E)(1)(b)*

The information will be used to issue an annual report.

*Annually, the Education Oversight Committee shall issue a report to the General Assembly documenting the impact of the Educational Credit for Exceptional Needs Children Program on student achievement. In addition, the report must include information on individual schools if at least fifty-one percent of the total enrolled students in the private school participated in the Educational Credit for Exceptional Needs Children Program in the prior school year. The report must be according to each participating private school, and for participating students, in which there are at least thirty participating students who have scores for tests administered. If the Education Oversight Committee determines that the thirty participating-student cell size may be reduced without disclosing personally identifiable information of a participating student, the Education Oversight Committee may reduce the participating-student cell size, but the cell size may not be reduced to less than ten participating students.*

*Section 12-6-3790(E)(6)*

Schools applying for continued participation in the ECENC Program must provide the following:

- 1. **School-level assessment results** for school year 2017-18 on national achievement tests for all grades tested in the school and for each grade with at least 10 students tested. Information should be provided for English language arts (reading) and mathematics achievement of students in the grade. Examples include: *TerraNova*, *Stanford 10*, *Iowa Test of Basic Skills*, etc. For grades 9-12, the school may provide average PSAT, SAT, ACT, or other scores as appropriate.

For schools that specifically exist to meet the needs of only exceptional needs students with documented disabilities, the EOC will work with the schools to provide information (including formative assessments, portfolios, etc.) that document the students' academic and social development.

How many students were enrolled in your school in 2017-18? 207

The following is a **template** that you may use for reporting purposes. For questions, contact the EOC office.

2017-18 School Year Results for (NAME OF ASSESSMENT)  
National Percentiles, Mean (Average) Scale Scores, Grade Equivalents, etc.

\* will submit when scores come in

Grade	English language arts (Reading)	Mathematics
1		
2		
3		
4		
5		
6		

- 2. **Individual student test scores** on national achievement tests for any child who received a grant from the program during the 2017-18 school year. No personally identifiable information will be published; instead, the information will be aggregated at the school or state level as stipulated in law.

Each school will have access to a secure data portal to upload individual student assessment results, which will include personally identifiable information. The portal will capture, at a minimum, the following information:

- Name of the student who received a grant from Exceptional SC in the prior school year along with data including date of birth, sex, grade level, etc. to ensure that the assessment results can be matched to the individual student who received a grant;
- For each student who received a grant, the results of a national assessment or assessments in 2017-18 and if possible, in 2016-17 as well to document academic growth. The name of the assessment as well as scale scores for students or national percentile ranks must be included; and
- If a student received a grant but due to the student's exceptional needs was not able to be assessed with a national assessment, the school must provide an explanation by student of the reason why a national assessment was not administered and how the school is measuring academic and personal growth for each student not assessed.

Please identify one staff person from your school who will provide the individual student test scores from this school:

Name:

Jeanie Henderson

Title:

Coordinator of Academic Services /  
Testing Coordinator

Telephone Number:

864-226-5344

Email Address:

jhenderson@msasc.org

Standardized Testing Information for Montessori School of Anderson

Headmaster: Dr. Dana Hill

Principal: Dr. Dana Hill

Website address: [www.msasc.org](http://www.msasc.org)

Phone: 864-226-5344

Email address: [dhill@msasc.org](mailto:dhill@msasc.org)

2018-19 Enrollment: 200

All other information is correct on our Academic Profile for 18-19.

Here is the information on Standardized Testing.

**Montessori School of Anderson  
ACT Aspire**

<b>Grade</b>	<b>Total Reading</b>	<b>Total Mathematics</b>	<b>Total English</b>
<b>5</b>	418	419	424
<b>6</b>	421	424	430
<b>7</b>	420	423	430

\*\*All other grade levels that were tested using the ACT Aspire had fewer than 10 students.



**MONTESORI SCHOOL OF ANDERSON**  
**COMPILED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JULY 31, 2018 AND JULY 31, 2017**

Argo and Associates, LLP  
Certified Public Accountants  
Anderson, South Carolina

**MONTESSORI SCHOOL OF ANDERSON**

**ANDERSON, SOUTH CAROLINA**

**Years Ended July 31, 2018 and 2017**

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303 E. CALHOUN STREET  
POST OFFICE BOX 1406  
ANDERSON, SC 29622-1406  
TELEPHONE (864) 226-7202  
FAX (864) 226-4631  
EMAIL: [admin@argocpa.com](mailto:admin@argocpa.com)  
[www.argocpa.com](http://www.argocpa.com)

To the Board of Trustees of  
Montessori School of Anderson  
Anderson, South Carolina

Management is responsible for the accompanying financial statements of Montessori School of Anderson (a nonprofit organization), which comprise the statements of financial position as of July 31, 2018 and 2017, and the related statements of activities and cash flow for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information contained in the Schedule of Functional Expenses is presented for additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

The financial statements of Montessori School of Anderson as of July 31, 2017, were subjected to a compilation engagement by other accountants whose report dated November 1, 2017, stated that they have not audited or reviewed the July 31, 2017 financial statements and, accordingly, do not express an opinion, a conclusion, nor provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

*Argo and Associates, LLP*

Argo and Associates, LLP  
Anderson, South Carolina

November 16, 2018

**EXHIBIT A**

**MONTESSORI SCHOOL OF ANDERSON  
STATEMENTS OF FINANCIAL POSITION  
JULY 31, 2018 AND 2017**

**ASSETS****CURRENT ASSETS**

	<b>2018</b>	<b>2017</b>
Cash and cash equivalents - unrestricted	\$ 108,449	\$ 437,204
Investments	67,140	53,444
Tuition receivable, net of allowance	21,246	24,918
Total current assets	<u>196,835</u>	<u>515,566</u>

**NON-CURRENT ASSETS**

Cash restricted to investment in property and equipment	82,526	82,526
Fixed assets, net of accumulated depreciation	1,346,448	1,405,074
Total non-current assets	<u>1,428,974</u>	<u>1,487,600</u>
Total assets	<u><b>\$ 1,625,809</b></u>	<u><b>\$ 2,003,166</b></u>

**LIABILITIES AND NET ASSETS****CURRENT LIABILITIES**

Accounts payable	\$ 4,927	\$ 5,435
Accrued payroll and related liabilities	95	21,572
Compensated absences	-	82,047
Deferred revenue	308,738	440,235
Current portion of mortgage note payable	68,213	67,715
Current portion of capital lease payable	3,916	3,716
Total current liabilities	<u>385,889</u>	<u>620,720</u>

**NONCURRENT LIABILITIES**

Mortgage note payable - noncurrent portion	1,226,384	1,498,369
Capital lease payable - noncurrent portion	14,240	18,156
Total noncurrent liabilities	<u>1,240,624</u>	<u>1,516,525</u>
Total liabilities	<u>1,626,513</u>	<u>2,137,245</u>

**NET ASSETS**

Temporarily restricted net assets	132,936	146,605
Unrestricted net assets	<u>(133,640)</u>	<u>(280,684)</u>
Total net assets	<u>(704)</u>	<u>(134,079)</u>
Total liabilities and net assets	<u><b>\$ 1,625,809</b></u>	<u><b>\$ 2,003,166</b></u>

See independent accountant's compilation report and accompanying notes to financial statements.

**EXHIBIT B**

**MONTESSORI SCHOOL OF ANDERSON  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JULY 31, 2018 AND 2017**

	2018			2017		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
<b>REVENUES, GAINS AND OTHER SUPPORT</b>						
Tuition and fees	\$ 1,881,803	\$ -	\$ 1,881,803	\$ 1,779,576	\$ -	\$ 1,779,576
Less: scholarships and discounts	(198,940)	-	(198,940)	(198,162)	-	(198,162)
Net tuition and fees	1,682,863	-	1,682,863	1,581,414	-	1,581,414
Other program fees	217,988	-	217,988	169,540	-	169,540
Contributions	3,671	1,910	5,581	19,434	19,344	38,778
Special events and classroom fundraisers	81,528	44,068	125,596	138,438	42,332	180,770
Investment income (Note C)	14,369	-	14,369	11,185	-	11,185
Other revenues, gains and support	6,337	-	6,337	2,927	-	2,927
Net assets released from restrictions (Note A)						
Satisfaction of program restrictions	59,647	(59,647)	-	49,004	(49,004)	-
Total revenue and support	2,066,403	(13,669)	2,052,734	1,971,942	12,672	1,984,614
<b>EXPENSES</b>						
Program services:						
Instruction and student services	1,643,680	-	1,643,680	1,600,429	-	1,600,429
Management and general	250,992	-	250,992	355,804	-	355,804
Fundraising	24,687	-	24,687	36,473	-	36,473
Total expenses	1,919,359	-	1,919,359	1,992,706	-	1,992,706
Change in net assets	147,044	(13,669)	133,375	(20,764)	12,672	(8,092)
<b>NET ASSETS, BEGINNING OF YEAR</b>	(280,684)	146,605	(134,079)	(259,920)	133,933	(125,987)
<b>NET ASSETS, END OF YEAR</b>	<b>\$ (133,640)</b>	<b>\$ 132,936</b>	<b>\$ (704)</b>	<b>\$ (280,684)</b>	<b>\$ 146,605</b>	<b>\$ (134,079)</b>

See independent accountant's compilation report and accompanying notes to financial statements.

**EXHIBIT C**

**MONTESSORI SCHOOL OF ANDERSON  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JULY 31, 2018 AND 2017**

<b>OPERATING ACTIVITIES</b>	<b>2018</b>	<b>2017</b>
Increase (decrease) in net assets	\$ 133,375	\$ (8,092)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities (items not requiring cash):		
Depreciation and amortization	67,974	61,470
Unrealized (gain) loss on investments	(13,696)	(10,101)
Donated assets	-	(4,518)
(Increase) decrease in current assets:		
Tuition receivable, net	3,672	19,095
Increase (decrease) in current liabilities:		
Accounts payable	(508)	(6,414)
Accrued payroll and related liabilities	(21,477)	21,479
Compensated absences	(82,047)	10,568
Deferred revenue	(131,497)	21,385
Net cash provided by (used in) operating activities	<u>(44,204)</u>	<u>104,872</u>
 <b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(9,348)	(13,632)
Cash proceeds from sale of investments	-	112,615
Net cash provided by (used in) investing activities	<u>(9,348)</u>	<u>98,983</u>
 <b>FINANCING ACTIVITIES</b>		
Payments on notes payable	(271,487)	(68,313)
Payments on lease payable	(3,716)	-
Net cash provided by (used in) financing activities	<u>(275,203)</u>	<u>(68,313)</u>
 Net increase (decrease) in cash and cash equivalents	(328,755)	135,542
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	437,204	301,662
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><b>\$ 108,449</b></u>	<u><b>\$ 437,204</b></u>
 <b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u><b>\$ 60,055</b></u>	<u><b>\$ 65,187</b></u>

See independent accountant's compilation report and accompanying notes to financial statements.

**Montessori School of Anderson**  
**Notes to Financial Statements**  
**July 31, 2018 and July 31, 2017**

**NOTE A—NATURE OF BUSINESS AND ACCOUNTING POLICIES**

**Nature of Business**

Montessori School of Anderson (the School) is a nonprofit organization formed in 1973 to create, nurture, and sustain educational programs of excellence for students, families, staff, and alumni in the surrounding community. The School is primarily supported by tuition and fees from its students.

The School is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170 (b) (1) (a) (ii).

**Basis of Accounting**

The School's policy is to prepare its financial statements on the accrual basis of accounting. Consequently, revenues are recognized when earned rather than received, and expenses are recognized when the obligation is incurred rather than when cash is disbursed.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

**Cash and Cash Equivalents**

All cash in bank accounts and short-term investments with a maturity of three months or less are considered cash and cash equivalents. Short-term highly liquid investments that are restricted by donors for long-term purposes have been excluded from cash equivalents.

Restricted cash reported as a non-current asset in the Statements of Financial Position includes \$82,526 which is restricted by donors for use in constructing a high school at both July 31, 2018 and 2017.

**Donations**

The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The School has elected to record contributions whose restrictions are met in the same year the contribution is received as unrestricted revenues.

**Montessori School of Anderson  
Notes to Financial Statements  
July 31, 2018 and July 31, 2017**

**NOTE A—NATURE OF BUSINESS AND ACCOUNTING POLICIES (Continued)**

**Donations (continued)**

The School reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be used, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give are recorded as revenues and accounts receivable when the promise is made. In the first year a pledge is made, the pledges receivable are recorded at their fair market value by applying a discount rate (risk-free rate plus a risk premium) to the probability-weighted cash flows for each year in which the cash is expected to be received. In subsequent years, amortization of the discount is credited to contribution income. Pledges that are expected to be received in one year are reported at net realizable value. The estimate of uncollectible pledges is determined based upon historical experience with the donors. There were no pledges receivable at July 31, 2018 or 2017.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. The School recorded no in-kind services for the fiscal year ended July 31, 2018 and July 31, 2017. Additionally, the School regularly uses volunteers, primarily to help with student activities and fundraising activities throughout the year, whose services were not recognized as contributions in the financial statements since the recognition criteria were not met.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following programs and purposes at July 31, 2018 and 2017:

*Purpose restrictions:*

	<u>2018</u>	<u>2017</u>
High School	\$ 82,526	\$ 82,526
Scholarships	38,743	38,852
Other	11,667	25,227
	<u>\$ 132,936</u>	<u>\$ 146,605</u>

Contributions of \$82,526 that were solicited several years ago for constructing a new building for a high school remain restricted as the project was postponed indefinitely during fiscal 2009.



**Montessori School of Anderson**  
**Notes to Financial Statements**  
**July 31, 2018 and July 31, 2017**

**NOTE A—NATURE OF BUSINESS AND ACCOUNTING POLICIES (Continued)**

**Temporarily Restricted Net Assets (continued)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. During the years ended July 31, 2018 and 2017, temporarily restricted net assets were released as follows:

	<b>2018</b>	<b>2017</b>
Scholarships	\$ 38,852	\$ 37,155
Other	20,795	11,849
	\$ 59,647	\$ 49,004

**Long-term Investments**

Investments in marketable securities with readily determinable fair values are valued at their fair values in the Statements of Financial Position. Investments in certificates of deposit are valued at cost. The School reports investment income and gains and losses on investments as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use. The School has elected to record investment income whose restrictions are met in the same year the income is received as unrestricted revenues.

**Land, Building and Equipment**

Land, building and equipment donated to the School is recorded at fair value at the time of the gift and purchases of fixed assets are recorded at cost. Acquisitions of land, buildings and equipment in excess of \$1,000 are capitalized and carried at cost less accumulated depreciation. The School recognizes the cost of using up future economic benefit of service potential of long-lived tangible assets. Such cost is recorded as depreciation expense in these financial statements. Depreciation is computed using various methods over the estimated useful lives of the assets, as follows:

Class of Asset	Methods	Useful Lives
Buildings	Straight line	39 years
Land improvements	150% declining balance	15 years
Furniture and equipment	200% declining balance	5 - 7 years
Vehicles	200% declining balance	5 - 10 years

**Advertising**

The School expenses advertising costs as they are incurred. Advertising charged to expense was \$10,586 and \$8,216 in the years ended July 31, 2018 and 2017, respectively.

**Montessori School of Anderson**  
**Notes to Financial Statements**  
**July 31, 2018 and July 31, 2017**

**NOTE A—NATURE OF BUSINESS AND ACCOUNTING POLICIES (Continued)**

**Compensated Absences/Paid Time Off**

For the year ended July 31, 2017 the teaching faculty, administration and peripheral contract employees earn sick leave during each fiscal year that accumulates and may be carried over up to a maximum of 30 days. Full-time hourly employees earn sick leave that may be accumulated and carried over into future years up to a maximum of 15 days. Employees are not entitled to receive payment for unused sick leave upon termination. For the year ended July 31, 2017, the School accrued a liability for accumulated sick leave in the amount of \$82,047.

For the fiscal year ended July 31, 2018 the School changed its policy for the accumulation of unused sick leave and went to a policy for Paid Time Off (PTO). Fulltime employees are eligible for PTO based on their service with the school. PTO will be used to support any time an employee is out of the classroom or office. Any PTO days that are not utilized by the end of the fiscal year will be forfeited and will not carry over. Therefore, there is no liability at July 31, 2018.

**Deferred Income**

Deferred income consists of prepaid tuition which is deferred and recognized as income during the fiscal year in which the services are provided.

**Revenue recognition**

Tuition is recognized as revenue in the Statements of Activities when the related services are provided to students. Tuition receivable at each fiscal year-end represents tuition and fees due from the prior school year which ends by June.

The School extends credit to student's families for payment of tuition for each school year. Given the timing of the billing and revenue cycle, all tuition receivables reported in these financial statements are past due. The School considers an account past due when the student's family does not make payment by the due date based upon the payment plan selected or when a student withdraws. The School may assess finance charges against tuition receivables that are past due.

Tuition accounts receivable are reflected on the balance sheet net of estimated uncollectible accounts. The allowance for uncollectible tuition accounts receivable is determined based upon an annual review of individual student account balances, including the age of the balance, the status of collection activities and the historical experience with the student families. Revenue/expense or gain/loss is recorded at the time the allowance is adjusted. The School utilizes a collection service for certain past due accounts and charges off receivables when all collection efforts have been exhausted.

**Montessori School of Anderson**  
**Notes to Financial Statements**  
**July 31, 2018 and July 31, 2017**

**NOTE A—NATURE OF BUSINESS AND ACCOUNTING POLICIES (Continued)**

**Functional Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Accounting Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in these financial statements. Accordingly, actual results could differ from those estimates.

**Income Taxes**

The School, a nonprofit organization operating under Section 501(c)3 of the Internal Revenue Code, is generally exempt from federal, state and local income taxes, and accordingly, no provision for income taxes is included in the financial statements.

Financial Accounting Standards Board (FASB), Accounting Standards Codification 740, *Income Taxes* (ASC 740) requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. As of July 31, 2018, management has assessed its various tax positions and it believes there are no liabilities for uncertain tax positions.

The School’s tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**Accounting Principle Changes**

The Financial Accounting Standards Board (FASB) has issued a number of Accounting Standards Updates (ASUs) including No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* which is effective for fiscal years beginning after December 15, 2017. The purpose of the ASU was to make certain improvements that address many of the identified issues about the current financial reporting for not-for-profit entities.

ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, with an effective date, as amended, for annual reporting periods beginning after December 15, 2018, supersedes the current revenue recognition requirements including most industry-specific revenue recognition guidance. The core principle is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

**Montessori School of Anderson**  
**Notes to Financial Statements**  
**July 31, 2018 and July 31, 2017**

**NOTE A—NATURE OF BUSINESS AND ACCOUNTING POLICIES (Continued)**

**Accounting Principle Changes (continued)**

In addition, the FASB has issued a number of other ASUs, including a change in the accounting for leases and credit losses, which will become effective in future years. Management has not yet determined the effects of these changes in standards on its financial statements.

**NOTE B—CONCENTRATIONS OF RISK**

The School maintains cash in banks, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At July 31, 2018, the bank balance of \$199,468 was fully insured. At July 31, 2017, \$75,769 was uninsured but was collateralized by a pledge of securities from the bank.

In addition, \$67,140 and \$53,444 of investments at July 31, 2018 and 2017 respectively, were uninsured and, therefore, the values of the accounts may fluctuate below cost (principal). However, such investments are protected from custodial credit risk through SIPC insurance.

The School conducts operations solely in northwestern South Carolina and, therefore, is subject to risks from changes in local economic conditions. Further, the School is highly dependent upon revenues from tuition and program fees which represent approximately 85% - 90% of its total revenues in any given year.

**NOTE C—INVESTMENTS**

The School's investments were as follows at July 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Stock mutual funds	\$ 67,140	\$ 53,444
Certificate of deposit	-	-
	<u>\$ 67,140</u>	<u>\$ 53,444</u>

Investment income consisted of the following for the years ended July 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 673	\$ 1,084
Unrealized gain (loss)	13,696	10,101
	<u>\$ 14,369</u>	<u>\$ 11,185</u>

**Montessori School of Anderson**  
**Notes to Financial Statements**  
**July 31, 2018 and July 31, 2017**

**NOTE D—TUITION RECEIVABLE**

Tuition receivable was as follows at July 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Tuition Receivable	\$ 25,227	\$ 31,646
Less allowance for doubtful accounts	(3,981)	(6,728)
	<u>\$ 21,246</u>	<u>\$ 24,918</u>

**NOTE E—FIXED ASSETS**

Fixed assets consisted of the following at July 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 293,310	\$ 293,310
Land improvements	445,231	446,087
Buildings	2,092,839	2,096,301
Furniture and equipment	145,881	165,489
Vehicles	30,188	30,188
	<u>3,007,449</u>	<u>3,031,375</u>
Less: accumulated depreciation	(1,661,001)	(1,626,301)
	<u>\$ 1,346,448</u>	<u>\$ 1,405,074</u>

The land and buildings with a total book value of \$1,319,878 at July 31, 2018 are subject to a mortgage lien (Note F). Depreciation expense of \$67,974 and \$61,470 has been recorded in the financial statements for the years ended July 31, 2018 and 2017, respectively. Certain of the fixed assets have been reclassified to conform to the current year presentation.

**NOTE F—LONG-TERM LIABILITIES**

In August 2017, the School refinanced its mortgage on building and land (Note E). In conjunction with the refinancing, the School repaid \$206,084 of the debt. Along with the refinancing, the School also obtained a line of credit of \$100,000 at the Wall Street Journal Prime Rate plus 1% (currently 5.25%) with the rate not to be adjusted more than once annually. The line matures on August 10, 2018. There were no outstanding borrowings at July 31, 2018 and July 31, 2017.

In September 2018 the School renewed the line of credit of \$100,000. The new note has a maturity date of August 10, 2019, with an interest rate based on the Wall Street Journal Prime Rate plus 1.0% (currently 5.0%) with the rate not to be adjusted more than once annually. There was no outstanding borrowings as of the date these financial statements were available to be released.

**Montessori School of Anderson  
Notes to Financial Statements  
July 31, 2018 and July 31, 2017**

**NOTE F—LONG-TERM LIABILITIES (Continued)**

Long-term debt is summarized as follows:

	<b>July 31, 2018</b>	<b>July 31, 2017</b>
Mortgage payable to a bank in monthly installments of \$ 10,875, with interest rate at floor of 4% and ceiling of 6.5%, with a balloon payment due September 20, 2019. The note is secured by building and land.		\$ 1,566,084
Mortgage payable to a bank in monthly installments of \$ 10,372, with interest at 4.39%, through August 10, 2022. The note is secured by building and land	\$ 1,294,597	
	1,294,597	1,566,084
Less current portion	(68,213)	(67,715)
	\$ 1,226,384	\$ 1,498,369

Total interest payments on all long-term debt for the years ended July 31, 2018 and 2017 were \$60,055 and \$65,187, respectively.

The aggregate amount of long-term debt maturities as of July 31, 2018 is as follows:

2019	\$	68,213
2020		71,163
2021		74,546
2022		71,220
2023		1,009,455
Total	\$	1,294,597

**Montessori School of Anderson**  
**Notes to Financial Statements**  
**July 31, 2018 and July 31, 2017**

**NOTE G—COMMITMENTS AND CONTINGENCIES**

In July 2017, the School entered into a non-cancelable lease for certain office equipment that has been classified as a capital lease. The lease renews automatically after the initial term ending in fiscal 2023 on a month-to-month basis. The gross value of equipment under capital leases reported in the Statements of Financial Position is \$21,872 with accumulated amortization of \$9,405 and \$1,094 at July 31, 2018 and 2017, respectively

Future minimum lease payments are as follows at July 31, 2018 and 2017:

	<b>2018</b>		<b>2017</b>
2018	\$ -		\$ 4,776
2019	4,776		4,776
2020	4,776		4,776
2021	4,775		4,775
2022	4,775		4,775
2023	1,194		1,194
	\$ 20,296		25,072
Less: interest	(2,140)		(3,200)
	\$ 18,156		\$ 21,872

Amortization expense on equipment under capital leases is included in depreciation. Rent expense was not significant in the years ended July 31, 2018 and 2017.

**NOTE H—DEFINED CONTRIBUTION PLAN**

The School maintains a 403(b) plan that allows employees who perform services for the School to defer compensation earned. Individual accounts are maintained for each participant and earnings are computed on the basis of alternative investment programs available. The employer matching contributions for the years ended July 31, 2018 and 2017 were \$10,531 and \$9,494, respectively.

**NOTE I—FAIR VALUE**

For assets and liabilities measured at fair value on a recurring basis during the period, U.S. Generally Accepted Accounting Principles requires quantitative disclosures about the fair value measurements separately for each major category of assets and liabilities.

**Montessori School of Anderson**  
**Notes to Financial Statements**  
**July 31, 2018 and July 31, 2017**

**NOTE I—FAIR VALUE (Continued)**

Those assets measured at fair value on a recurring basis in the Statements of Net Assets (which does not include certificates of deposit which are valued based upon cost) and the types of inputs used to estimate fair value are as follows at July 31, 2018 and 2017, respectively:

<u>Description</u>	<u>7/31/2018</u>	Quoted Prices in	Significant Other	Significant
		Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Stock mutual fund	\$ 67,140	\$ 67,140	\$ -	\$ -
Total	<u>\$ 67,140</u>	<u>\$ 67,140</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Fair Value Measurements at Reporting Date Using</u>				
<u>Description</u>	<u>7/31/2017</u>	Quoted Prices in	Significant Other	Significant
		Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Stock mutual fund	\$ 53,444	\$ 53,444	\$ -	\$ -
Total	<u>\$ 53,444</u>	<u>\$ 53,444</u>	<u>\$ -</u>	<u>\$ -</u>

The investments in the stock mutual fund were valued based upon quoted prices from published stock and bond market quotes and were provided by the investment management firm.

**NOTE J—NEGATIVE UNRESTRICTED NET ASSETS**

The School has negative total net assets at both July 31, 2018 and 2017 due to a mortgage liability on its land and buildings (Note E) which have depreciated faster than the mortgage principal is being repaid and the fact that the annual change in net assets in most years is near break-even.

**NOTE K—SUBSEQUENT EVENTS**

Subsequent events have been evaluated for accrual and/or disclosure through November 16, 2018 which is the date the financial statements were available to be released.



MONTESSORI SCHOOL OF ANDERSON  
 SCHEDULE OF FUNCTIONAL EXPENSES  
 FOR THE YEARS ENDED JULY 31, 2018 AND 2017

	2018				2017			
	<u>Program</u>				<u>Program</u>			
	<u>Instruction &amp; Student Activities</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Instruction &amp; Student Activities</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel and related expenses	\$ 1,183,480	\$ 169,437	\$ -	\$ 1,352,917	\$ 1,180,960	\$ 268,698	\$ -	\$ 1,449,658
Scholarships and discounts	198,940	-	-	198,940	198,162	-	-	198,162
Classroom books and supplies	34,949	-	-	34,949	48,813	-	-	48,813
Extracurricular and other activities expenses	200,044	-	-	200,044	153,156	-	-	153,156
Fundraising expenses	-	-	24,687	24,687	-	-	36,473	36,473
Depreciation	58,201	9,773	-	67,974	52,632	8,838	-	61,470
Occupancy	84,719	14,227	-	98,946	82,364	13,831	-	96,195
Insurance	20,281	3,406	-	23,687	17,267	2,899	-	20,166
Office	-	24,116	-	24,116	-	30,842	-	30,842
Advertising and marketing	10,586	-	-	10,586	9,423	-	-	9,423
Interest expense	51,420	8,635	-	60,055	55,814	9,373	-	65,187
Professional fees	-	21,398	-	21,398	-	21,323	-	21,323
Total	<u>1,842,620</u>	<u>250,992</u>	<u>24,687</u>	<u>2,118,299</u>	<u>1,798,591</u>	<u>355,804</u>	<u>36,473</u>	<u>2,190,868</u>
Less: expenses netted against revenues	<u>(198,940)</u>	<u>-</u>	<u>-</u>	<u>(198,940)</u>	<u>(198,162)</u>	<u>-</u>	<u>-</u>	<u>(198,162)</u>
Net	<u>\$ 1,643,680</u>	<u>\$ 250,992</u>	<u>\$ 24,687</u>	<u>\$ 1,919,359</u>	<u>\$ 1,600,429</u>	<u>\$ 355,804</u>	<u>\$ 36,473</u>	<u>\$ 1,992,706</u>