MONTESSORI OF MAUI, INC.
(A Hawaii Nonprofit Corporation)

AUDITED FINANCIAL STATEMENTS
(With Independent Auditors' Report)

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Montessori of Maui, Inc.
Makawao, Hawaii 96768

We have audited the accompanying financial statements of Montessori of Maui, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montessori of Maui, Inc. as of June 30, 2018 and the changes in its net assets, functional expense and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Montessori of Maui, Inc. 2017 financial statements, and our report dated September 20, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carbonaro CPAs & Mgmt Group

Wailuku, Hawaii
August 30, 2018

MONTESSORI OF MAUI, INC.
Statements of Financial Position
As of June 30, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents (Note 3)	$ 2,331,518	$ 2,603,234
Investments (Note 10)	1,021,867	994,143
Accounts Receivable net of Allowance of Doubtful Accounts of $12,125 and $6,125 as of June 30, 2018 and 2017, respectively	4,609	26,766
Prepaid Expenses and Other Current Assets	18,708	21,164
Total Current Assets	3,376,702	3,645,307
LAND, BUILDINGS AND EQUIPMENT(Note 2)		
Land	636,867	636,867
Buildings	12,187,991	12,101,179
Furniture and Equipment	222,160	234,351
Construction in Progress	4,297	21,408
Less Accumulated Depreciation	(3,847,895)	(3,542,241)
Net Land, Buildings and Equipment	9,203,420	9,451,564
OTHER ASSETS		
Net Deferred Bond Issuance Cost (Note 7)	-	98,164
Total Other Assets	-	98,164
TOTAL ASSETS	$ 12,580,122	$ 13,195,035

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Prepaid Fees and Tuition from Students (Note 11)	$ 689,296	$ 746,472
Accrued Interest Payable	-	135,913
Accounts Payable	6,201	11,988
Refundable Advance (Note 2)	27,326	28,796
Accrued Payroll and Payroll Taxes	98,309	90,927
Current Portion of Revenue Bond Payable (Note 7)	-	140,000
Current Portion of Note Payable (Note 7)	232,889	-
Credit Card Payable	28,071	21,010
Total Current Liabilities	1,082,092	1,175,106
LONG TERM LIABILITIES		
Revenue Bonds Payable (Note 7)	-	4,695,000
Note Payable (Note 7)	4,114,455	-
Total Long Term Liabilities	4,114,455	4,695,000
TOTAL LIABILITIES	5,196,547	5,870,106
NET ASSETS (Note 5)		
Unrestricted	6,861,866	6,927,418
Temporarily Restricted	421,789	297,591
Permanently Restricted - Endowment (Note 9)	99,920	99,920
Total Net Assets	7,383,575	7,324,929
TOTAL LIABILITIES AND NET ASSETS	$ 12,580,122	$ 13,195,035

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

MONTESSORI OF MAUI, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018
(With comparative totals for the year ended June 30, 2017)

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
OPERATING REVENUE AND SUPPORT					
Tuition and Fees	$ 3,612,548	$ -	$ -	$ 3,612,548	$ 3,392,953
Contributions and Fundraising	124,942	-	-	124,942	120,886
Other Income	120,231	-	-	120,231	87,701
Capital Campaign Revenue	-	104,580	-	104,580	18,000
Annual Giving Revenue	50,036	41,333	-	91,369	87,973
Extended Care	88,128	-	-	88,128	78,489
In-kind Revenue (Note 2)	42,732	-	-	42,732	31,414
Grant and Trust Income	6,000	36,000	-	42,000	61,900
Gain (Loss) on Investments	16,270	-	-	16,270	15,714
Interest and Investment Income	(2,678)	11,260	-	8,582	8,733
Net Assets Released from Restrictions	68,975	(68,975)	-	-	-
Total Operating Revenue and Support	4,127,184	124,198	-	4,251,382	3,903,763
EXPENSES					
Program Services	3,290,491	-	-	3,290,491	3,073,667
Management and General	714,328	-	-	714,328	615,314
Fundraising	187,917	-	-	187,917	174,459
Total Expenses	4,192,736	-	-	4,192,736	3,863,440
CHANGE IN NET ASSETS	**(65,552)**	**124,198**	**-**	**58,646**	**40,323**
Net Assets, Beginning of Year	6,927,418	297,591	99,920	7,324,929	7,284,606
Net Assets, End of Year	$ 6,861,866	$ 421,789	$ 99,920	$ 7,383,575	$ 7,324,929

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

MONTESSORI OF MAUI, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2018
(With comparative totals for the year ended June 30, 2017)

	2018				2017
	Program Services	Management and General	Fundraising	Total	Total
Salaries and Wages	$ 1,618,654	$ 398,792	$ 70,375	$ 2,087,821	$ 1,918,149
Employee Benefits	338,462	115,430	20,370	474,262	378,314
Depreciation and Amortization	315,465	34,842	6,149	356,456	348,109
Payroll Taxes	162,186	36,933	6,517	205,636	197,451
Interest and Fees	180,979	-	-	180,979	272,450
Unamortized Bond Costs (Note 7)	-	98,164	-	98,164	5,167
Repairs and Maintenance	93,670	-	-	93,670	78,517
Pension Contribution (Note 4)	86,607	-	-	86,607	88,378
Classroom Supplies	84,673	-	-	84,673	66,157
Fundraising and Special Events	-	-	80,500	80,500	77,892
Program Activities	48,321	-	-	48,321	29,927
In-kind Expense (Note 2)	42,732	-	-	42,732	31,414
Telephone and Computer Supplies	31,706	5,785	1,021	38,512	27,321
Insurance	32,585	3,735	659	36,979	35,847
Workshop and Staff Development	28,020	4,571	806	33,397	33,792
Field Trip Expense	32,893	-	-	32,893	43,756
Utilities	32,782	-	-	32,782	30,350
Bond Expense	25,888	-	-	25,888	3,149
Miscellaneous	24,376	569	101	25,046	28,083
Small Equipment	24,313	-	-	24,313	12,397
Marketing (Note 2)	21,678	-	-	21,678	19,421
Accounting and Legal	9,476	5,369	948	15,793	13,244
Emergency Supplies	12,417	-	-	12,417	-
Janitorial Expense	11,275	-	-	11,275	7,328
Outside Services	10,956	-	-	10,956	12,922
Recruitment - Employee	241	7,472	-	7,713	70,305
Grant Expenses	6,931	-	-	6,931	5,018
Bad Debt	6,008	-	-	6,008	17,114
Bank Fees and Credit Card Fees	2,628	483	85	3,196	2,900
Office Supplies	-	2,183	386	2,569	1,891
Automobile Expense	2,360	-	-	2,360	2,029
Postage and Printing	1,499	-	-	1,499	2,297
Accrediting and Licensing Costs	710	-	-	710	2,351
	$ 3,290,491	$ 714,328	$ 187,917	$ 4,192,736	$ 3,863,440

MONTESSORI OF MAUI, INC.
Statements of Cash Flows
For the Year Ended June 30, 2018
(With comparative totals for the year ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Students for Tuition and Fees	$ 3,570,051	$ 3,198,151
Grant and Trust Cash Receipts	42,000	61,900
Cash from Contributions, Capital Campaign and Fundraising	320,891	237,859
Investment Income Received	8,582	9,088
Other Cash Receipts	208,359	87,701
Cash Paid for Interest	(316,892)	(271,825)
Cash Paid to Employees and Vendors	(3,495,877)	(3,216,109)
Net Cash Provided by Operating Activities (Note 6)	337,114	106,765
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Used to Purchase Equipment and Construct Buildings	(109,720)	(32,708)
Net Purchases of Investments	(11,454)	(25,799)
Net Cash Used By Investing Activities	(121,174)	(58,507)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Bond Payable	(335,000)	(130,000)
Principal Payments on Note Payable	(152,656)	-
Net Cash Used By Financing Activities	(487,656)	(130,000)
Net Decrease in Cash for the Year	**(271,716)**	**(81,742)**
CASH BALANCE, BEGINNING OF YEAR	2,603,234	2,684,976
CASH BALANCE, END OF YEAR	$ 2,331,518	$ 2,603,234
Supplemental Non-Cash Activities::		
Refinancing of Long Term Debt	$ 4,500,000	$ -

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

Note 1. ORGANIZATION

Montessori of Maui, Inc. (the Organization) is a non-profit organization incorporated under the laws of the State of Hawaii on August 26, 1982. The purpose of the Organization is to provide a school for children on the island of Maui in accordance with the Montessori Method of education. The students, who range from 18 months to 14 years, are encouraged to develop their maximum potential in a facility where cultural, social and esthetic diversities flourish.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting: The Organization uses the accrual method of accounting for financial statement reporting according to generally accepted accounting principles. Under this method of accounting, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Net Assets: The Organization classifies its net assets and its revenue, support and expenses based on the existence or absence of donor-imposed restrictions. Temporarily restricted net assets result from contributions whose use is limited by donor stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Permanently restricted net assets result from contributions whose use is limited by donor stipulations that do not expire.

Accounts Receivable: Accounts receivables represents revenues earned but not yet received. Accounts receivables are written off when deemed uncollectible by management. Managements periodically evaluates the adequacy of the allowance for doubtful accounts based on its past experience and knowledge of the receivable.

Income Taxes: The Organization is exempt from Federal income taxes under *Section 501(c)(3)* of the Internal Revenue Code and also from State of Hawaii income taxes under *Section 237-23 (b)* of the Hawaii Revised Statutes.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2018 or 2017.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed. Returns after 2014 are subject to examination.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings and Equipment: Land, buildings and equipment are stated at cost or at fair value at date of donation. Major renewals and improvements are capitalized, while maintenance and repairs that do not extend the lives of the assets are charged to operations. The Organization capitalized renewals and improvements with a useful life greater than one year and a value greater than $2,000. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Reclassification: Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations.

Marketing: The Organization expenses advertising as it incurs the expense. Advertising expense was $21,678 and $19,241 for the years ended June 30, 2018 and June 30, 2017, respectively.

Refundable Advances: Refundable advances represents funds received which were not yet earned, as conditions set forth within grant agreements have not yet been met.

In-kind donations: Under FASB ASC 958-605-25-16 "Not-for-Profit Entities, Contributed Services", contributions of donated services that create or enhance non-financial assets or that require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In-Kind Revenue recorded also represents the fair value of many donated items for fundraising and for the ongoing operations of the Organization. These tangible items donated are valued at their estimated fair market value at the time of donation. The Organization received $42,732 and $31,414 of donated goods for their fundraising event during the year ended June 30, 2018 and 2017, respectively.

Note 3. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash is defined as demand deposits, mutual funds, savings accounts, certificates of deposit with maturities of three months or less, and money market accounts. The Organization's cash balance from time to time exceeds Federally and SIPC insured levels. Management has not experienced any losses and believes the risk is minimal.

Note 4. EMPLOYEE PENSION PLAN

The Organization has entered into a tax-deferred annuity plan qualified under *Section 403(b)* of the Internal Revenue Code. The plan covers qualified employees and establishes individual retirement trust accounts. Eligible employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization may make contributions to the plan based on a formula included in the plan. The Organization's pension contribution was $86,607 and $88,378 for the years ended June 30, 2018 and 2017, respectively.

Note 5. NET ASSETS

The Organization has conformed to *FASB ASC 958-210-45-9, "Not-for-Profit Entities, Classifications of Net Assets"*. Accordingly, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Temporarily Restricted Net Assets as of June 30 consist of the following:

	2018	2017
Elementary School C/C	$ 106,534	$ -
Endowment Interest (Note 9)	83,714	72,454
CWB Scholarship Fund	81,589	74,149
Hawaiian Scholarship Fund	47,335	45,393
Financial Aid	36,000	36,000
Kokua Charitable Trust	29,807	30,433
Others	20,995	27,975
Middle School C/C	15,815	11,187
Total	$ 421,789	$ 297,591

Permanently Restricted Net Assets consist of various contributions received for the purpose of a financial aid endowment fund. At Fiscal Year End June 30, 2018 and 2017, the balance of the Permanently Restricted Funds was $99,920.

Note 6. RECONCILIATION OF CHANGE IN NET ASSETS WITH NET CASH PROVIDED BY OPERATING ACTIVITIES

	2018	2017
Change in Net Assets	$ 58,646	$ 40,323
Add Depreciation and Amortization	356,456	348,109
Bad Debt Expense	6,008	17,114
Amortization of Bond Issuance Cost	98,164	5,167
Gain (Loss) on Investments	(16,270)	(15,359)
Gain (Loss) on Disposal of Fixed Assets	1,408	-
Adjustments to Reconcile:		
Change in Accounts Receivable	16,149	(14,517)
Change in Prepaid Expenses and Other Current Assets	2,456	(20,523)
Change in Pledges Receivable	-	11,000
Change in Accounts Payable	1,274	1,462
Change in Accrued Expenses	(128,531)	(7,237)
Change in Prepaid Fees and Tuition from Students	(58,646)	(258,774)
Net Cash Provided by Operating Activities	$ 337,114	$ 106,765

Note 7. NOTES PAYABLE

In September of 2017, the Organization re-financed its series 2007 revenue bonds with a loan with Bank of Hawaii at a lower interest rate. During this process, the Organization expensed the remaining $98,164 in deferred bond costs associated with the origination of the bond. The loan balances at June 30, 2018 and 2017 are as follows:

	2018	2017
Revenue Bond - Special Purpose, Series 2007, Secured by Loan agreement dated February 1, 2007 between the Department of Budget and Finance of he Stage of Hawaii as the Department and the Bank of New York Trust Company, N.A. as Trustee, and the Organization as Borrower. Carries interest rate of 5.50%.	$ -	$ 4,835,000
Note Payable - Bank of Hawaii, loan payable, carries interest rate of 3.760%, monthly installments $32,747, which matures on 10/27/2027 with a lump sum payment of $1,788,649. Mortgage is secured by all the assets of the Organization and has certain covenants that have been met by the Organization.	$ 4,347,344	$ -
Total Long-Term Debt	$ 4,347,344	$ 4,835,000
Less Current Installments of Long-Term Debt	(232,889)	(140,000)
Net Long-Term Debt	$ 4,114,455	$ 4,695,000

The principal payments required on long-term debt for the next five years are as follows:

2019	$ 232,889
2020	241,798
2021	251,048
2022	260,652
2023	270,623
Thereafter	3,090,334
Total	$ 4,347,344

Note 8. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 30, 2018, the date the financial statements were available to be issued.

Note 9. ENDOWMENTS

The Organization's endowment funds consist of donor restricted gifts. The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. At June 30, 2018 and 2017, the endowment net assets amounted to $191,626 and $180,366 respectively.

For the year ended June 30, 2018, the changes in endowment net assets are the following:

Endowment Net Asset Composition by Type of Fund

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ -	$ 83,714	$ 99,920	$ 183,634
Board-designated endowment	7,992	-	-	7,992
Total Funds	$ 7,992	$ 83,714	$ 99,920	$ 191,626

Changes in Endowment Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets June 30, 2017	$ 7,992	$ 72,454	$ 99,920	$ 180,366
Investment Return:				
Investment Income	-	5,590	-	5,590
Net Appreciation	-	5,670	-	5,670
Total Investment return	-	11,260	-	11,260
Endowment Increase	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets June 30, 2018	$ 7,992	$ 83,714	$ 99,920	$ 191,626

Interpretation of the law

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift at the accumulation is added to the fund.

Note 9. ENDOWMENTS (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPIMFA, management considers in its determination to appropriate or accumulate donor restricted endowment funds the following factors:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a total return over longer term consistent with preservation of principal. It is expected that earnings growth will exceed the rate of inflation, as measured by the Consumer Price Index, by at least 2-5 percentage points, measured over a five-year period and that the real purchasing power of the Endowment be maintained.

Strategies Employed for Achieving Objectives

In order to meet the Organization's return objectives, the Board of Directors determines appropriate investments with the primary purpose of preservation of capital.

Spending Policy

It is the policy of the Organization that spending of interest earned from endowments be limited to Board of Director approval and concurrent with donor restrictions.

Funds with Deficiencies

From time to time the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. As of June 30, 2018 there were no deficiencies of this nature.

Note 10. FAIR VALUE MEASUREMENTS

The Organization implemented *ASC 820-10-50-1* which establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

This fair value hierarchy consists of three broad levels.

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets and have the highest priority.
- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs consist of significant unobservable inputs and include situations where there is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals.

Fair values of assets measured on a recurring basis are as follows, there are no liabilities or other assets measured at fair value on a recurring or non-recurring basis:

Assets	Total June 30, 2018	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non-Observable Inputs: Level 3
Certificates of Deposits	$ 792,227	$ 792,227	$ -	$ -
Mutual Funds	91,005	91,005	-	-
Exchange-Traded and Closed Ended Funds	99,058	99,058	-	-
Held in Trust for Unemployment Claims - *	39,577	-	-	39,577
Total	$ 1,021,867	$ 982,290	$ -	$ 39,577

Assets	Total June 30, 2017	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non-Observable Inputs: Level 3
Certificates of Deposits	$ 782,158	$ 782,158	$ -	$ -
Mutual Funds	79,736	79,736	-	-
Exchange-Traded and Closed Ended Funds	97,604	97,604	-	-
Held in Trust for Unemployment Claims - *	34,645	-	-	34,645
Total	$ 994,143	$ 959,498	$ -	$ 34,645

Note 10. FAIR VALUE MEASUREMENTS (Continued)

* - The fair value of the investments held for unemployment claims is determined by reference to statements received from the unemployment trust company.

* - The table below presents information about the changes in the investments held for unemployment claims, which is measured at fair value on a recurring basis using significant unobservable inputs for the years ended June 30:

	2018	2017
Balance, beginning of year	$ 34,645	$ 27,698
Deposits	7,844	9,886
Claims paid	(1,106)	-
Allocated income (loss)	2,645	1,525
Allocated expenses	(4,451)	(4,464)
Balance, end of year	$ 39,577	$ 34,645

Note 11. PREPAID FEES AND TUITION FROM STUDENTS

Prepaid Fees and Tuition from Students represents prepayments received from students enrolled in the following school year which were not yet earned as of June 30, 2018 and 2017, respectively. These funds will be earned and recorded as revenue in the subsequent year. At June 30, 2018 and 2017, there were $689,295 and $746,472 of Prepaid Fees and Tuition from Students, respectively.

Note 12. PURCHASE POWER AGREEMENT AND RELATED PARTY

During 2009, the Organization entered into a purchase power agreement with Pacific Solar, LLC (the Seller). Under the agreement, the Seller constructed a 6.95kWAC solar panel system on the Organization's property. Under the agreement the Organization previously purchased power from the Seller. On January 1, 2016 the seller gifted all of the assets related to this system.

During 2009, the Organization entered into a purchase power agreement with Pacific Solar, LLC (the Seller). Under the agreement, the Seller constructed a 16.145kWAC solar panel system on the Organization's property. Under the agreement the Organization will purchase power from the Seller for a term of 15 years. At the end of year five, ten, and fifteen during the agreement the Organization has the option to purchase the solar panels at fair market value.

The Owner of Pacific Solar, LLC is related to a current Board Member of the Organization. The approval process of the agreement was handled under the Organization's Conflict of Interest policy and the Board Member was excused from voting on any activity with Pacific Solar, LLC.

Note 13. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-For-Profit Entities. The standard makes improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual reporting periods beginning after December 31, 2017, but early adoption is permitted. The provisions are effective for an Organization's fiscal year ending June 30, 2019. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which supersedes FASB Accounting Standards Codification (ASC) Topic 840, Leases, and makes other conforming amendments to U.S. GAAP. ASU 2016-02, requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability as well as additional qualitative and quantitative disclosures. ASU 2016-02 is effective for entity fiscal years beginning December 15, 2019, but permits early adoption, and mandates a modified retrospective transition method. The provisions are effective for the Organization's fiscal year ending June 30, 2021. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements, but expects ASU 2016-02 to add significant right-of-use assets and lease liabilities to the statement of financial position.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The provisions are effective for the Organization's fiscal year ending June 30, 2021. The amendments should be applied using a retrospective transition method to each period presented. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize 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. An entity also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for the entity for annual periods in fiscal years beginning after December 15, 2018 (as amended in August 2015 by ASU 2015-14, Deferral of the Effective Date). The provisions are effective for the Organization's fiscal year ending June 30, 2020. Management does not expect the adoption of these provisions to have a significant impact on the financial statements.