

Mountain Village Charter School
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
Years ended July 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mountain Village Charter School
Plymouth, New Hampshire

We have audited the accompanying financial statements of Mountain Village Charter School (a New Hampshire nonprofit school), which comprises the statements of financial position as of July 31, 2016 and 2015 and the related statements of activities and changes in net assets 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain Village Charter School July 31, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rowley & Associates, PC

Rowley & Associates, P.C.
Concord, New Hampshire
June 16, 2017

**MOUNTAIN VILLAGE CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
Years Ended July 31, 2016 and 2015**

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|--------------------------|--------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 85,695 | \$ 41,858 |
| Grants receivable | 51,332 | 89,194 |
| Prepaid expenses | 11,458 | 14,471 |
| Total Current Assets | <u>148,485</u> | <u>145,523</u> |
| FIXED ASSETS | | |
| Furniture and equipment | 51,945 | 41,669 |
| Less accumulated depreciation | (13,052) | (6,212) |
| | <u>38,893</u> | <u>35,457</u> |
| OTHER ASSETS | | |
| Security deposits | <u>3,499</u> | <u>1,499</u> |
| Total Assets | <u><u>190,877</u></u> | <u><u>182,479</u></u> |
| LIABILITIES & NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 12,560 | 6,142 |
| Payroll liabilities | 3,928 | 2,220 |
| Accrued expenses | 8,324 | 5,895 |
| Total current liabilities | <u>24,812</u> | <u>14,257</u> |
| NET ASSETS | | |
| Unrestricted net assets | <u>166,065</u> | <u>168,222</u> |
| Total Liabilities & Net Assets | <u><u>\$ 190,877</u></u> | <u><u>\$ 182,479</u></u> |

See Independent Auditors' Report and Notes to Financial Statements

MOUNTAIN VILLAGE CHARTER SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended July 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---------------------------------------|-------------------|-------------------|
| SUPPORT AND REVENUE | | |
| Grants | \$ 481,876 | \$ 402,810 |
| Contributions | 16,451 | 2,188 |
| Program service revenue | 29,401 | 15,460 |
| Interest income | 3 | 3 |
| | <u>527,731</u> | <u>420,461</u> |
| EXPENSES | | |
| Program | 452,921 | 292,333 |
| Administrative | 75,437 | 61,600 |
| Fundraising | 1,530 | 1,931 |
| | <u>529,888</u> | <u>355,864</u> |
| Net increase (decrease) in net assets | (2,157) | 64,597 |
| Net assets at beginning of year | <u>168,222</u> | <u>103,625</u> |
| Net assets at end of year | <u>\$ 166,065</u> | <u>\$ 168,222</u> |

See Independent Auditors' Report and Notes to Financial Statements

MOUNTAIN VILLAGE CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
Years Ended July 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in Net Assets | \$ (2,157) | \$ 64,598 |
| Adjustments to reconcile excess of revenues and support over expenses to net cash provided by operating activities: | | |
| Depreciation | 6,840 | 5,987 |
| (Increase) decrease in operating assets: | | |
| Grants receivable | 37,862 | (33,274) |
| Prepaid expenses | 3,013 | (14,471) |
| Security deposits | (2,000) | (1,499) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 6,418 | 6,142 |
| Payroll liabilities | 1,708 | 2,220 |
| Accrued expenses | 2,429 | 5,895 |
| Net Cash Provided by Operating Activities | <u>54,113</u> | <u>35,598</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of fixed assets | <u>(10,276)</u> | <u>(22,804)</u> |
| Increase in unrestricted cash | 43,837 | 12,794 |
| Unrestricted Cash at Beginning of Year | <u>41,858</u> | <u>29,064</u> |
| Unrestricted Cash at End of Year | <u>\$ 85,695</u> | <u>\$ 41,858</u> |

See Independent Auditors' Report and Notes to Financial Statements

**MOUNTAIN VILLAGE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
July 31, 2016 and 2015**

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Mountain Village Charter School (“the School”) was established in June 2013 after receiving its charter from the State of New Hampshire Department of Education under Chapter 194-B Charter Schools and Open Enrollment Act of the State of New Hampshire’s Revised Statutes. The initial charter is for a five year period and is subject to renewal at the discretion of the State of New Hampshire Department of Education. The school has all the rights and privileges of other public schools and is operating as a public school.

The mission of the School is to provide an educational community engaging the child through a nature-based, Montessori approach. The curriculum inspires abstract thinking by exploring creative thought and critical reasoning. The approach places equal emphasis on rigorous academics, artistic expression, social development and community service.

Significant Accounting Policies

The summary of significant accounting policies of the School is presented to assist in understanding the School’s financial statements. The financial statements and notes are representations of the School’s management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Financial Statement Presentation

Basis of Presentation: The School 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.

Unrestricted net assets are comprised of operating revenues and expenses and contributions pledged which are not subject to any donor-imposed restrictions. Unrestricted net assets balances as of July 31, 2016 and 2015 totaled \$166,065 and \$168,222, respectively.

Temporarily restricted net assets are comprised of contributions and gifts for which donor-imposed restrictions will be met either by the passage of time or the actions of the School. As of July 31, 2016 and 2015 the School had no temporarily restricted assets.

Permanently restricted net assets include those assets for which donor-imposed restrictions stipulate that the asset be permanently maintained by the School. As of July 31, 2016 and 2015 the School had no permanently restricted net assets.

**MOUNTAIN VILLAGE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
July 31, 2016 and 2015**

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Capitalization Policy

The School follows the policy of capitalizing assets with a useful life of more than one year and a cost of \$500 or more.

Depreciation

The School follows the policy of charging to expense annual amounts of depreciation that allocate the cost of capital assets over their estimated useful lives. The School employs the straight-line method over the various useful lives of the assets ranging from five to thirty-nine years. Depreciation expense was \$6,840 and \$5,987 for the years ended July 31, 2016 and 2015, respectively.

Deferred Revenue

Revenue is recognized when earned, however, funds received that are not earned as of year-end are recorded as a liability under deferred revenue. Deferred revenue arise when resources are received by the School before it has a legal claim to them, as when grant funds are received prior to incurrence of qualifying expenses. There were no deferred revenues as of July 31, 2016 and 2015, respectively.

Planned Major Maintenance Activities

The School uses the direct expense method for all major maintenance activities. Major maintenance activities that exceed a cost of \$500 and extend the useful life of the asset are capitalized and depreciated over the years extended life of the asset. Maintenance that cost less than \$500 or does not extend the life of the maintained asset is expensed when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. For the years ended July 31, 2016 and 2015 the School had no cash equivalents.

MOUNTAIN VILLAGE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
July 31, 2016 and 2015

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Income Taxes

Mountain Village Charter School was organized under Section 501(c) (3) of the U.S. Internal Revenue Code and is generally exempt from tax. Accordingly, no provisions have been made for income taxes in these financial statements. This code section enables the School to accept donations that qualify as charitable contributions to the donor.

Accounts Receivable

Accounts receivable consists of tuition billed to the New Hampshire Department of Education.

Operating Revenue and Expenses

Operating revenue and expenses generally result from providing educational and instructional services in connection with the School's principal ongoing operations. The principal operating revenues include federal and state grants. Operating expenses include educational costs, administrative costs, and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

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 as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Public Support and Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Donations of long-lived assets

Donations of services and materials which increase long-lived assets are recorded at their fair values and recognize these revenues as increases in unrestricted net assets.

**MOUNTAIN VILLAGE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
July 31, 2016 and 2015**

**NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Pledges & Grants Receivable and Recognition of Donor Restricted Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the School. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions of long-lived assets are considered unrestricted unless the donor specifies a time-restriction.

The School provides for losses on grants and pledges receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of donors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the School's policy to charge off uncollectible grants and pledges receivable when management determines the receivable will not be collected. There were no balances in the allowance account related to pledges receivable as of July 31, 2016 and 2015 because all amounts were deemed collectable.

Functional Expenses

Functional and administrative expenses have been allocated among program services based on an analysis of personnel time and space utilized for the related activities.

NOTE 2. SUBSEQUENT EVENTS

Management has considered subsequent events through June 16, 2017, the date on which the financial statements were available to be issued, to determine if any are of such significance to require disclosure. It has been determined that no subsequent events matching this criterion occurred during this period.

NOTE 3. CONCENTRATION OF CREDIT RISK

The School maintains cash balances in several accounts at local banks. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At July 31, 2016 and 2015 the School had zero uninsured cash balances.

**MOUNTAIN VILLAGE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
July 31, 2016 and 2015**

NOTE 4. ECONOMIC DEPENDENCY

During the years ended July 31, 2016 and 2015 the school received a significant portion of its revenue from the State of NH Department of Education. Continued funding requires compliance with numerous state regulations and requirements. Future non-compliance with these regulations and requirements, or a change in laws governing the School, could adversely impact the operations of the school.

NOTE 5. SUPPORT FROM GOVERNMENTAL UNITS

The School receives a substantial amount of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the School's ability to continue its programs and activities.

NOTE 6. CONTINGENT LIABILITIES

The School receives money under various state and federal programs. Under the terms of these programs, the School is required to expend the funds within the designated period for purposes specified in the grant proposal. If expenditures of the funds were found not to have been made in compliance with the proposal, the School might be required to return this portion of funds to the grantor. As of July 31, 2016 and 2015, there were no known disallowed expenditures and the School's management deems such a contingency unlikely. Accordingly, no provision has been made for this contingency.

NOTE 7. TAX EXEMPT STATUS

The School is a public charity exempt from Federal income tax under Section 501 (c) (3) of the Internal Revenue Code. The School reports its activities on federal form 990 annual information return and does not believe it has done anything during the past year that would jeopardize its tax-exempt status at either the state or Federal level. These filings are subject to review by the taxing authorities and the federal income tax returns for 2015, 2014, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

In accordance with FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, the School is under the opinion that there are no unsustainable positions that have been taken in regards to federal or state income tax reporting requirements. Accordingly, management is not aware of any unrecognized tax benefits or liabilities that should be recognized in the accompanying statements.

**MOUNTAIN VILLAGE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
July 31, 2016 and 2015**

NOTE 8. LEASE COMMITMENTS

The School entered a twenty-three month lease for land beginning August 1, 2014 and ending June 30, 2016. It was renewed for one year ending June 30, 2017. The land lease is for the purpose of placing a modular schoolhouse on the premise. Rent expense related to this lease was \$16,800 for the years ended July 31, 2016 and 2015, respectively.

The School entered a twenty-three month lease for a modular school house beginning August 31, 2014 and ending June 30, 2016. It was renewed for one year ending June 30, 2017. Rent expense related to this lease was \$17,988 and \$14,214 for the years ended July 31, 2016 and 2015, respectively.

The School entered a lease for storage space in June 2015 with payments beginning in September 2015. There is no end date for this lease a notice of intent to vacate is required to end the lease. Rent expense related to this lease was \$780 and \$0 for the years ended July 31, 2016 and 2015, respectively.

The School also had various other rental expenses relating to events and a play area totaling \$9,155 and \$2,275 for the years ending July 31, 2016 and 2015.

Total rent expense was \$44,723 and \$33,289 for the years ended July 31, 2016 and 2015. Future minimum rent expense for July 31 is:

2017 \$31,889

NOTE 9. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at July 31, 2016 and 2015 are as follows:

| | Fair Value | Significant Other Observable Inputs Level (2) |
|----------------------|------------------|--|
| <u>July 31, 2016</u> | | |
| Grants Receivable | <u>\$ 51,332</u> | <u>\$ 51,332</u> |
| <u>July 31, 2015</u> | | |
| Grants Receivable | <u>\$ 89,194</u> | <u>\$ 89,194</u> |

The fair value of grants receivable are estimated at the present value of expected future cash flows.

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INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

We have audited the financial statements of Mountain Village Charter School as of and for the years ended July 31, 2016 and 2015 and our reported dated June 16, 2017, which expressed an unmodified opinion on those financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rowley & Associates, PC

Rowley & Associates, P.C.
Concord, New Hampshire
June 16, 2017

MOUNTAIN VILLAGE CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JULY 31, 2016
WITH COMPARATIVE TOTALS FOR YEAR ENDED JULY 31, 2015

| | Educational Programs | General and Administrative | Fundraising | 2016 Total | 2015 Total |
|--------------------------------|-------------------------|-------------------------------|-----------------|-------------------|-------------------|
| EXPENSES | | | | | |
| Wages | \$ 218,666 | \$ 55,000 | \$ - | \$ 273,666 | \$ 180,599 |
| Payroll taxes | 16,880 | 4,220 | - | 21,100 | 13,473 |
| Benefits | 15,831 | 3,958 | - | 19,789 | 6,777 |
| Professional development | 16,288 | - | - | 16,288 | 30,822 |
| School supplies and curriculum | 22,999 | - | - | 22,999 | 19,123 |
| Professional fees | 73,277 | 7,692 | - | 80,969 | 16,469 |
| General supplies and equipment | 3,844 | 2,337 | - | 6,181 | 13,904 |
| Rent expense | 44,723 | - | - | 44,723 | 35,564 |
| Repairs and maintenance | 5,488 | - | - | 5,488 | 15,403 |
| Utilities expense | 8,906 | - | - | 8,906 | 7,176 |
| Insurance | 4,595 | 1,149 | - | 5,744 | 4,592 |
| Travel | 520 | - | - | 520 | 1,069 |
| Printing and postage | 1,645 | - | - | 1,645 | 1,892 |
| Advertising and promotion | - | - | 1,530 | 1,530 | 1,931 |
| Depreciation expense | 6,840 | - | - | 6,840 | 5,987 |
| Apparell | 1,453 | - | - | 1,453 | - |
| Conferences and meetings | - | 305 | - | 305 | - |
| Informatin technology | 5,035 | - | - | 5,035 | - |
| Land use taxes | 5,154 | - | - | 5,154 | - |
| Other expenses | 777 | 776 | - | 1,553 | 1,083 |
| Total Expenses | <u>\$ 452,921</u> | <u>\$ 75,437</u> | <u>\$ 1,530</u> | <u>\$ 529,888</u> | <u>\$ 355,864</u> |

See Independent Auditors' Report on the Supplementary Information