



**A Charter School of the District
School Board of Polk County, Florida**

FINANCIAL STATEMENTS AND AUDITORS' REPORTS

June 30, 2018

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Magnolia Montessori Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Magnolia Montessori Academy, Inc., (the "School"), a charter school and component unit of the School District of Polk County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Magnolia Montessori Academy, Inc., as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(cont...)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – general fund and the note to budgetary comparison schedule – general fund as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018, on our consideration of Magnolia Montessori Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Magnolia Montessori Academy's internal control over financial reporting and compliance.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
September 26, 2018

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The management's discussion and analysis (MD&A) provides an overview of Magnolia Montessori Academy, Inc.'s ("School") activities for the year ended June 30, 2018 and should be read in conjunction with the financial statements and the notes thereto.

The MD&A, and the financial statements and notes thereto, are the responsibility of School management.

FINANCIAL HIGHLIGHTS

- Net position represents the residual interest in the School's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The School's net position at June 30, 2018 totaled \$101,997 or 11% of 2017-2018 expenses compared to the June 30, 2017 total of \$81,919 or 10% of 2016-2017 expenses.
- For the year ended June 30, 2018, the School's total net position increased by \$20,078 compared to a decrease of \$21,802 for the prior year.
- As of the close of the current fiscal year, the School's general fund reported ending fund balance of \$103,389, an increase of \$23,839 in comparison with the prior year.
- At the close of the current fiscal year, the School's general fund reported ending unassigned fund balance of \$97,972 which represents 11% of the total expenditures for the year ended June 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the management's discussion and analysis, the independent auditor's report and the basic financial statements of the School as well as required supplementary information. The financial statements also include notes that explain in more detail some of the information found in the financial statements. The basic financial statements include two kinds of statements that present different views of the School.

The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status. These statements report information about the School as a whole and about its activities in a manner that helps answer the question, "Is Magnolia Montessori Academy, Inc. better off or worse off as a result of the year's activities?" These statements include all assets, liabilities and deferred outflows and inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The *statement of net position* presents all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the residual measure reported as "net position". Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating. The reader will need to consider other non-financial factors such as the current tax laws, student enrollment growth or decline, and facility conditions in arriving at their conclusion regarding the overall health of the School.

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The remaining statements are the fund financial statements that focus on individual parts of the School's operation in more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation of governmental fund(s) to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balance provide detailed information about the School's most significant funds. The School operates one fund, a general fund to account for its general operations and internal account activities. For reporting purposes the general fund is the only major fund of the School.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the general fund to demonstrate compliance with the budget.

Notes to financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

MAGNOLIA MONTESSORI ACADEMY, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2018****GOVERNMENT-WIDE FINANCIAL ANALYSIS**

	Governmental Activities			
	For the year ended		Change	% Change
	June 30, 2018	June 30, 2017		
Assets:				
Current and other assets	\$ 162,501	\$ 116,094	\$ 46,407	40%
Capital assets, net	21,619	25,160	(3,541)	-14%
Total assets	184,120	141,254	42,866	30%
Liabilities:				
Current liabilities	63,611	51,729	11,882	23%
Long-term liabilities	10,512	7,606	2,906	38%
Total liabilities	74,123	59,335	14,788	25%
Deferred inflows of resources:	8,000	-	8,000	- - - -
Net position:				
Investment in capital assets	21,619	25,160	(3,541)	-14%
Unrestricted	80,378	56,759	23,619	42%
Total net position	\$ 101,997	\$ 81,919	\$ 20,078	25%

The assets of the School primarily consist of cash and cash equivalents and equipment and leasehold improvements. Liabilities consist primarily of accounts payable and accrued wages payable.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The School's net position was \$101,997 at the close of the current fiscal year. As of June 30, 2018, unrestricted net position is approximately 79% of the total net position (69% at the end of the prior year) and the School's investment in capital assets makes up the remaining 21% (31% at the end of the prior year).

MAGNOLIA MONTESSORI ACADEMY, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2018**

The key elements of the changes in the School's net position for the fiscal year ended June 30, 2018 and 2017 are as follows.

	Governmental Activities			
	For the year ended		Change	% Change
	June 30, 2018	June 30, 2017		
Revenues:				
<i>Program Revenues:</i>				
Charges for services	\$ 209,301	\$ 139,391	\$ 69,910	50%
Operating grants and contributions	46,609	39,116	7,493	19%
<i>General revenues:</i>				
State and local sources passed through local school district	650,792	598,329	52,463	9%
Other general revenues	9,060	33,030	(23,970)	-73%
Total revenues	915,762	809,866	105,896	13%
Expenses:				
Instruction	567,956	539,356	28,600	5%
Student support services	7,592	8,469	(877)	-10%
Instructional staff training services	1,997	490	1,507	308%
Governing board	6,975	8,885	(1,910)	-21%
School administration	157,509	131,141	26,368	20%
Central services	12,692	29,457	(16,765)	-57%
Pupil transportation services	4,442	5,781	(1,339)	-23%
Operation of plant	124,207	104,487	19,720	19%
Community services and other	12,314	3,602	8,712	242%
Total expenses	895,684	831,668	64,016	8%
Change in Net Position	\$ 20,078	\$ (21,802)	\$ 41,880	

The School's total revenues were \$915,762 for 2018 compared to \$809,866 for 2017 while the total costs of all programs and services were \$895,684 in 2018 and \$831,668 in 2017. This resulted in an increase in net position of \$20,078 in 2018 compared to a decrease of \$21,802 in 2017.

The largest revenue source for the School are the state and local funds received through the School District of Polk County, Florida (76% of total revenue in 2018 and 78% in 2017). Revenues from these state and local sources are primarily provided through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds - As of June 30, 2018, the School's general fund reported a positive fund balance of \$103,389 or 12% of 2017-2018 general fund expenditures. As of June 30, 2017, the School's general fund reported a positive fund balance of \$79,550 or 10% of 2016-2017 general fund expenditures.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2018, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. For the year ended June 30, 2018, actual budgetary inflows were \$59,230 greater than the final budgeted amount and actual outflows were \$36,663 more than budgeted appropriations resulting in an overall positive budget variance of \$22,567.

The budget was amended during the year decreasing budgeted revenue by \$5,424 and increasing budgeted expenditures by \$31,257.

CAPITAL ASSETS

At June 30, 2018, the School had \$99,996 in capital assets, less accumulated depreciation of \$78,377, for net capital assets of \$21,619. Depreciation charges for the current fiscal year totaled \$3,541. More information about the School's capital assets is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The budget is initially adopted by June of the prior year based on a conservative estimate of enrollment and estimated per pupil revenue from the state. This enrollment is based on the number of expected returning students and the number of students in the waiting pool for available spaces. For the 2017-2018 school year, the enrollment at the School was 98 students. The 2018-2019 enrollment is expected to remain constant at approximately 98 full-time-equivalent students.

REQUEST FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional information should be addressed to the Director of Finance, Magnolia Montessori Academy, Inc. 1540 New Jersey Rd, Lakeland, FL 33803.

MAGNOLIA MONTESSORI ACADEMY, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***STATEMENT OF NET POSITION**

June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 160,945
Receivables, current:	
Intergovernmental	1,556
Capital assets:	
Depreciable, net	21,619
TOTAL ASSETS	184,120
LIABILITIES	
Accounts payable and accrued wages	44,712
Unearned revenue - deposits	12,499
Unearned revenue - prepaid tuition	6,400
Long-term liabilities:	
Due within one year	-
Due in more than one year	10,512
TOTAL LIABILITIES	74,123
DEFERRED INFLOW OF RESOURCES	
Unavailable grant revenue	8,000
TOTAL DEFERRED INFLOWS OF RESOURCES	8,000
NET POSITION	
Investment in capital assets	21,619
Unrestricted	80,378
TOTAL NET POSITION	\$ 101,997

The accompanying notes are an integral part of these statements

MAGNOLIA MONTESSORI ACADEMY, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***STATEMENT OF ACTIVITIES**

For the year ended June 30, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	
PRIMARY GOVERNMENT					
Governmental activities:					
Instruction	\$ 567,956	\$ 201,416	\$ 11,018	\$ -	\$ (355,522)
Student support services	7,592	-	-	-	(7,592)
Instructional staff training services	1,997	-	3,488	-	1,491
Governing board	6,975	-	-	-	(6,975)
School administration	157,509	-	-	-	(157,509)
Central services	12,692	-	-	-	(12,692)
Pupil transportation services	4,442	-	2,442	-	(2,000)
Operation of plant	124,207	-	29,661	-	(94,546)
Community services and other	12,314	7,885	-	-	(4,429)
Total governmental activities	\$ 895,684	\$ 209,301	\$ 46,609	\$ -	(639,774)
GENERAL REVENUES:					
					650,792
State and local sources passed through local school district					9,060
Other general revenues					<u>659,852</u>
Total general revenues					
CHANGE IN NET POSITION					
					20,078
NET POSITION, beginning of year					
					<u>81,919</u>
NET POSITION, end of year					
					<u><u>\$ 101,997</u></u>

The accompanying notes are an integral part of these statements

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2018

	General Fund
ASSETS	
Cash and cash equivalents	\$ 160,945
Receivables, current:	
Intergovernmental	1,556
TOTAL ASSETS	\$ 162,501
LIABILITIES	
Accounts payable and accrued wages	\$ 44,712
Unearned revenue	6,400
TOTAL LIABILITIES	51,112
DEFERRED INFLOW OF RESOURCES	
Unavailable grant revenue	8,000
TOTAL DEFERRED INFLOWS OF RESOURCES	8,000
FUND BALANCE	
Assigned for:	
Playground improvements	5,417
Unassigned	97,972
TOTAL FUND BALANCE	103,389
TOTAL LIABILITIES AND FUND BALANCE	\$ 154,501

The accompanying notes are an integral part of these statements

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2018

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 103,389
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,619
Some unearned revenue of the governmental activities are not considered earned and therefore, while considered measurable and available and reported as revenue in the governmental funds, these revenues are reported as a liability in the governmental activities until earned.	(12,499)
Long-term liabilities, consisting of accumulated compensated absences are not due and payable in the current period and therefore they are not reported in the governmental funds.	(10,512)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 101,997</u>

The accompanying notes are an integral part of these statements

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS**
For the year ended June 30, 2018

	General Fund
REVENUES:	
State and local sources:	
State and local sources passed through local school district	\$ 686,496
Pre kindergarten and aftercare fees	178,257
Contributions and other local sources	37,418
Total state and local sources	<u>902,171</u>
Federal sources:	
Federal sources passed through local school district	10,906
Total federal sources	<u>10,906</u>
Total revenues	<u>913,077</u>
EXPENDITURES:	
Current:	
Instruction	561,510
Student support services	7,592
Instructional staff training services	1,997
Governing board	6,975
School administration	157,509
Central services	12,692
Pupil transportation services	4,442
Operation of plant	124,207
Community services and other	12,314
Total expenditures	<u>889,238</u>
NET CHANGE IN FUND BALANCE	23,839
FUND BALANCE, beginning of year	<u>79,550</u>
FUND BALANCE, end of year	<u>\$ 103,389</u>

The accompanying notes are an integral part of these statements

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2018

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 23,839

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.

This is the amount of capital assets recorded in the current period.

-

This is the amount of depreciation expense recorded in the current period.

(3,541)

Deposits to secure positions in the pre kindergarten class provide current financial resources that are measurable and available and therefore are recognized as revenue in the governmental funds. In the statement of activities, these deposits are not recognized as revenue until the exchange takes place which is the date at which the deposit is applied to the pre kindergarten tuition requirement.

This is the amount of unearned revenue reported as of June 30, 2017.

15,185

This is the amount of unearned revenue - deposits, reported as of June 30, 2018.

(12,499)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

This is the change in accrued compensated absences during the year.

(2,906)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 20,078

The accompanying notes are an integral part of these statements

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Magnolia Montessori Academy, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes on June 6, 2012. The governing body of the School is a Board of Directors comprised of not less than three or more than seven members elected by the existing Board members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the School District of Polk County, Florida (the "District") and, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units. The School is reported as a discretely presented component unit of the District. The charter became effective on July 1, 2013 for an initial four-year term and has been renewed for a fifteen-year term ending June 30, 2032. During the term of the charter, the District may terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert to the District.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based upon these criteria, no component units are included within the reporting entity of the School.

BASIS OF PRESENTATION

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, the basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-wide Financial Statements - The government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole using accounting methods similar to those used by private-sector companies. These statements include nonfiduciary financial activity of the school. Both statements report only governmental activities as the School does not engage in any business type activities.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

BASIS OF PRESENTATION (cont...)

Fund Financial Statements - The fund financial statements provide detailed information about the School's most significant funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows, liabilities, deferred inflows, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The financial transactions of the School are recorded in a single governmental "general" fund. There are no other governmental funds. Because the focus of governmental fund financial statements differs from the focus of the government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows.

Imposed nonexchange resources are reported as deferred inflows if received before the date when use is first permitted. Government mandated nonexchange transactions and voluntary nonexchange transactions (donations and grants) resources are reported as liabilities until the eligibility requirements are met and as deferred inflows if received before time requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within 60 days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, state or other grant resources, revenue is recognized at the time the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recognized only when payment is due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

CASH AND CASH EQUIVALENTS

The financial statement caption "cash and cash equivalents" includes all deposits with banks and financial institutions including certificates of deposit and all highly-liquid investments (with original maturities of three months or less). All deposits are insured by federal depository insurance.

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

RECEIVABLES

Consist primarily of amounts due from other governments. All receivables are deemed collectible, and no allowance for uncollectible accounts is considered necessary.

INVENTORIES

Supplies inventory is immaterial and such items are charged to expense when purchased.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applied to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

COMPENSATED ABSENCES

Employees are allowed 10 paid days of leave per contract year which commences on July 1 and ends on June 30. The employees are given all 10 days on the first day of the contract year. At the end of each contract period up to fifteen days of unused leave may be carried to the subsequent year or, if the employee has worked for the School for the entire school year, they can elect to receive payment for the accumulated unused leave instead of carrying the days to the next year. School directors do not receive payment of unused leave upon termination. The School will provide pay for accumulated leave time upon termination based upon the set rate in the individual employee contracts. The liability for these compensated absences is recorded as long-term in the government-wide statement of net position and not reported in the fund level balance sheet because the liability is generally not payable from expendable available financial resources.

CAPITAL ASSETS

In the government-wide statements, capital assets include leasehold improvements and furniture and equipment. Capital assets are defined as personal or real property or improvements with an individual cost of \$750 or more and that is either titled in the School's name or for which the School has the continuing responsibility for maintenance. Such assets are recorded at historical cost and reported net of accumulated depreciation. Donated assets are recorded at fair market value as of the date received. Other costs incurred for repairs and maintenance are expensed as incurred.

In the fund financial statements, capital assets used in governmental fund operations are accounted as capital outlay expenditures of the governmental fund upon acquisition.

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

CAPITAL ASSETS (concluded)

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

	Years
Leasehold improvements	3-20
Furniture and equipment	3-5

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make use of estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ significantly from those estimates.

INCOME TAXES

The School is generally exempt from income taxes under section 501 (c) (3) of the Internal Revenue Code and applicable state law. Therefore, no provisions for income taxes have been made in the accompanying financial statements.

The School recognizes the financial statement effects from a 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. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School files Form 990 in the U.S. Federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service for years endings before June 30, 2015.

REVENUE SOURCES

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The District receives a 2% administrative fee from the School, which is reflected as a central services expense / expenditure in the accompanying statement of activities and statement of revenues, expenditures and change in fund balance.

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

REVENUE SOURCES (concluded)

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollments during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, the unspent portion is reflected as restricted net position and fund balance in the accompanying statements of net position and balance sheet - governmental fund, respectively. As of June 30, 2018, the School had no unspent capital outlay funds.

EQUITY CLASSIFICATIONS

Government-wide Statements - The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and displayed in three components:

- a) *Investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b) *Restricted net position* - Consists of net position with constraints placed in its use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* - Consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted net position are available for use, it is the School's policy to use restricted net position first, then unrestricted net position as they are needed.

Fund Statements - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor the constraints on the specific purposes for which amounts in those funds can be spent. The following classifications describe the relative strength of the spending constraints:

- a) *Nonspendable* - amounts that are not in spendable form (such as prepaid items and deposits) or are legally required to be maintained intact. The School had no nonspendable fund balance amounts at June 30, 2018.
- b) *Restricted* - amounts constrained to specific purposes by external purposes by external providers or imposed by law through constitutional provisions or by enabling legislation. The School had no restricted fund balance amounts at June 30, 2018.

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

EQUITY CLASSIFICATIONS (concluded)

- c) *Committed* - amounts constrained to specific purposes by formal action of the School itself, using its highest level of decision making authority (the School's Board of Directors) through resolution. To be reported as committed, amounts cannot be used for any other purpose unless the School's Board of Directors takes the same highest-level action (a resolution) to remove or change the constraint. The School had no committed fund balance amounts at June 30, 2018.
- d) *Assigned* - amounts the School intends to use for a specific purpose but are neither restricted nor committed. Assignments can be made by the principal or by an official or body which the Board of Directors have delegated the authority. The School reported fund balance assigned for playground improvements at June 30, 2018.
- e) *Unassigned* - includes residual positive fund balance which has not been classified within the other above-mentioned categories.

The details of the fund balances are included in the governmental funds balance sheet. The School uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds. The details of the fund balances are included in the governmental fund balance sheet on page 10.

NOTE 2 - BUDGETARY LAW AND PRACTICE

The budget is adopted by the School's Board of Directors on or before July 1 of each year by motion in the minutes. All budget amounts presented in the accompanying supplementary information have been adjusted for legally authorized amendments. The budget for the general fund is prepared on a cash basis which differs from the basis used for financial reporting purposes. For the year ended June 30, 2018, actual expenditures exceeded budgeted appropriations by \$36,663 which was funded by greater than anticipated current year budgetary resources.

NOTE 3 – DEPOSITS AND INVESTMENTS

The School's deposits are insured by the FDIC up to \$250,000 per financial institution.

The captions on the government-wide statement of net position for "cash and cash equivalents" are summarized below.

Cash and cash equivalents:	
Insured or fully collateralized bank deposits	160,945
Total cash and cash equivalents	<u>\$ 160,945</u>

The types of investments in which the School may invest are governed by Section 218.415(17), Florida Statutes. The School has not adopted a formal investment policy, nor have they adopted a formal policy to address investment related risks.

There were no investment securities maintained during the year.

MAGNOLIA MONTESSORI ACADEMY, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

NOTE 4 – CHANGES IN CAPITAL ASSETS

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

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<u>Governmental Activities:</u>				
Capital assets, being depreciated:				
Leasehold improvements	\$ 76,195	\$ -	\$ -	\$ 76,195
Furniture and equipment	23,801	-	-	23,801
Total capital assets, being depreciated	99,996	-	-	99,996
Less accumulated depreciation for:				
Leasehold improvements	(54,508)	(2,545)	-	(57,053)
Furniture and equipment	(20,328)	(996)	-	(21,324)
Total accumulated depreciation	(74,836)	(3,541)	-	(78,377)
Total capital assets being depreciated, net	25,160	(3,541)	-	21,619
Governmental activities capital assets, net	<u>\$ 25,160</u>	<u>\$ (3,541)</u>	<u>\$ -</u>	<u>\$ 21,619</u>

Depreciation expense was charged to the following programs and functions:

<u>Governmental Activities:</u>	
Instruction	<u>\$ 3,541</u>
Total depreciation expense - governmental activities	<u>\$ 3,541</u>

NOTE 5 – CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Amounts Due within One Year
<u>Governmental Activities:</u>					
Long-term liabilities:					
Compensated absences	\$ 7,606	\$ 12,595	\$ (9,689)	\$ 10,512	\$ -
Total long-term liabilities	<u>\$ 7,606</u>	<u>\$ 12,595</u>	<u>\$ (9,689)</u>	10,512	<u>\$ -</u>
Less amounts due in one year				<u>-</u>	
Net long-term liabilities due after one year				<u>\$ 10,512</u>	

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - RISK MANAGEMENT

Commercial insurance protection with normal deductibles, including general liability, property and workers compensation, is in place to limit the School's exposure from losses arising from theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There has been no significant reduction in coverages, nor have settlement amounts exceeded the School's coverages during the year ended June 30, 2018 or the previous two years.

In the normal course of conducting operations, the School may become party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on financial operations. As of June 30, 2018, management was not aware of any legal actions or proceedings pending against the school.

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

The School may from time to time participate in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

In accordance with Florida Statutes, all property and improvements, furnishings and equipment purchased with public funds provided to the School through the District will automatically revert to full ownership of the District upon the non-renewal or termination of the charter agreement.

NOTE 8 - FACILITY LEASE

Effective December 21, 2012, the School entered into an annual operating lease for administrative and classroom space. The School has continued to lease the facility under annual lease agreements for each year through June 30, 2018. Facility rental expense related to the facility lease for the fiscal year ended June 30, 2018 totaled \$55,632.

Effective June 11, 2018, the School entered into an annual lease agreement for the year ending June 30, 2019. Based upon this agreement, the annual fee for the 2018-2019 school year is \$56,472.

MAGNOLIA MONTESSORI ACADEMY, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***NOTES TO FINANCIAL STATEMENTS**June 30, 2018

NOTE 9 - CONCENTRATION OF REVENUE SOURCES

The School's principal source of revenues is from the State of Florida passed through the District, which provided approximately 76% of total revenue for the year ended June 30, 2018. The following is a schedule of revenue sources and amounts for the year ended June 30, 2018.

<u>Sources</u>	<u>Amount</u>
School District of Polk County, Florida	
Base funding and supplemental academic instruction	\$ 463,596
Digital classroom allocation	2,003
Discretionary millage	24,114
Discretionary tax equalization allocation	23,671
Instructional materials allocation	7,724
Discretionary lottery	165
Class size reduction	114,273
Reading allocation	4,079
School recognition	9,080
Transportation	2,442
Teacher supply program	2,088
Capital outlay	29,661
Best and brightest award	3,600
Federal IDEA grant revenue	7,418
Federal Title II grant revenue	3,488
Total revenue through the School District of Polk County, Florida	697,402
Other revenue:	
Preschool tuition and fees	170,372
Aftercare fees	7,885
Parent support fees	11,392
Donations	2,262
Fundraisers	18,316
Field trips	5,413
Interest revenue	35
Total revenue	\$ 913,077



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REQUIRED SUPPLEMENTARY INFORMATION

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

For the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary</u>	<u>Favorable</u>
			<u>Basis)</u>	<u>(Unfavorable)</u>
RESOURCES (inflows):				
State and local sources:				
State and local sources passed through local school district	\$ 629,265	\$ 647,346	\$ 673,804	\$ 26,458
Pre kindergarten and aftercare fees	190,000	165,000	170,372	5,372
Contributions and other local sources	6,000	6,000	32,989	26,989
Total state and local sources	825,265	818,346	877,165	58,819
Federal sources:				
Federal sources passed through local school district	9,000	10,495	10,906	411
Total federal sources	9,000	10,495	10,906	411
Total resources (inflows)	834,265	828,841	888,071	59,230
CHARGES TO APPROPRIATIONS (outflows):				
Current:				
Instruction	517,547	539,342	561,510	(22,168)
Student support services	7,500	7,500	7,592	(92)
Instructional staff training services	2,000	2,000	1,997	3
Governing board	6,500	7,000	6,975	25
School administration	153,165	155,539	157,509	(1,970)
Pupil transportation services	5,600	5,600	4,442	1,158
Operation of plant	104,000	110,588	124,207	(13,619)
Total charges to appropriations (outflows)	796,312	827,569	864,232	(36,663)
EXCESS (DEFICIENCY) OF RESOURCES OVER				
CHARGES TO APPROPRIATIONS				
	37,953	1,272	\$ 23,839	\$ 22,567
Budgeted excess inflows	(37,953)	(1,272)		
NET CHANGE IN FUND BALANCE	\$ -	\$ -		

MAGNOLIA MONTESSORI ACADEMY, INC.

A Charter School and Component Unit of the School District of Polk County, Florida

NOTE TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

For the year ended June 30, 2018

Explanation of Differences between Budgetary Inflows and Outflows and GAAP

Revenues and Expenditures:

Resources/inflows of resources

Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule \$ 888,071

Differences - budget to GAAP:

School District of Polk County, Florida's administration fee budgeted as a reduction in budgetary inflows rather than as a budgetary outflow 12,692

Community services - aftercare and fieldtrip inflows are budgeted net of the associated outflows 12,314

Total revenue as reported on the statement of revenues, expenditures and change in fund balance \$ 913,077

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule \$ 864,232

Differences - budget to GAAP:

School District of Polk County, Florida's administration fee budgeted as a reduction in budgetary inflows rather than as a budgetary outflow 12,692

Community services - aftercare and fieldtrip inflows are budgeted net of the associated outflows 12,314

Total expenditures as reported on the statement of revenues, expenditures and change in fund balance \$ 889,238



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OTHER REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Magnolia Montessori Academy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Magnolia Montessori Academy, Inc. (the "School") a charter school and component unit of the School District of Polk County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 26, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
September 26, 2018

MANAGEMENT LETTER

To the Board of Directors
Magnolia Montessori Academy, Inc.

Report on the Financial Statements

We have audited the financial statements of Magnolia Montessori Academy, Inc., (the "School"), a charter school and component unit of the School District of Polk County, Florida, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated September 26, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated September 26, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have not been taken to fully address recommendation 2017-01 that was made in the preceding annual financial report.

Tabulation of Uncorrected Findings		
Current Year Finding No.	2016-2017 FY Finding No.	2015-2016 FY Finding No.
2018-1	2017-01	NA

Financial Condition and Management

Sections 10.854(1)(e)2 and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit of the financial statements of the School, we determined that the School did not meet any of the specified conditions of a financial emergency described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have one recommendation to improve financial management as detailed in the accompanying schedule of findings and recommendations at finding 2018-01.

MANAGEMENT LETTER
(cont...)

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit we did not have any such findings.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the entity is Magnolia Montessori Academy, Inc.

Magnolia Montessori Academy, Inc.'s Response to Recommendation

Magnolia Montessori Academy, Inc.'s response to the recommendation identified in our audit is described in the accompanying letter of management's response. Magnolia Montessori Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
September 26, 2018

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2018
MAGNOLIA MONTESSORIT ACADEMY, INC.**

2018-01: General Accounting Internal Controls

Condition: During our audit, we noted that internal controls over key transaction cycles were not adequately designed. We noted that School payroll was not being properly classified in the School's accounting information system, employee health benefit transactions are not being properly monitored and PayPal transactions were not being recorded properly. Furthermore, we noted that payments related to the leasing of portable classrooms were not being paid in a timely manner resulting in late fees and that certain setup costs for these facilities were paid twice.

Criteria: Adequate internal controls, including segregation of duties and monitoring, are required to be designed to provide reasonable assurance that the activity related to key transaction cycles are complete and accurately recorded in the School's accounting systems.

Cause: Improper design and/or operation of general accounting internal controls.

Effect: The internal control deficiencies noted above could result in misstatements due to errors or fraud which could remain undetected by management or those charged with governance.

Recommendation: We recommend management properly design and implement internal controls over general accounting procedures to provide reasonable assurance that the School financial activity is accurately recorded in the accounting system. These internal control activities include segregation of duties; proper authorization and approval; reconciliation and review; and physical security of School assets.



Management Response letter to the Recommendations for year ending June 30, 2018

We are adding a review of the payroll journal entry, the paypal account, employee benefits to the monthly checklist of items so that it will be reviewed for accuracy and signed off and dated each month.

The monthly transaction journal is now printed each month by the Director of Finance and reviewed and signed by the Principal.

The William Scotsman payments are being paid through their portal, instead of checks, resulting in an immediate ability to track payments.

The management team at Magnolia appreciates the thoroughness of the audit conducted by Brynjulfson's C.P.A and all the input and recommendations.

Sincerely

A handwritten signature in black ink, appearing to read "T. Crotteau", with a long, sweeping horizontal line extending to the right.

Tammi Crotteau
Director of Finance