



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

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

June 30, 2020

MONTESSORI MIDDLE SCHOOL, INC.

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June 30, 2020

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Montessori Middle School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Montessori Middle School, 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, 2020, 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 Montessori Middle School, Inc., as of June 30, 2020, 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 and 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 8, 2020, on our consideration of Montessori Middle School 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 Montessori Middle School, Inc.'s internal control over financial reporting and compliance.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
September 8, 2020

MONTESSORI MIDDLE SCHOOL, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The management's discussion and analysis (MD&A) provides an overview of Montessori Middle School, Inc.'s ("School") activities for the year ended June 30, 2020 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, 2020 totaled \$600,741 or 156% of 2019-2020 expenses compared to the June 30, 2019 total of \$530,960 or 156% of 2018-2019 expenses.
- For the year ended June 30, 2020, the School's total net position increased by \$69,781 compared to an increase of \$101,511 for the prior year.
- As of the close of the current fiscal year, the School's general fund reported ending fund balance of \$595,634, an increase of \$66,757 in comparison with the prior year.
- At the close of the current fiscal year, the School's general fund reported ending unassigned and assigned fund balance of \$595,634 which represents 153% of the total expenditures for the year ended June 30, 2020.

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 Montessori Middle School, 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.

MONTESSORI MIDDLE SCHOOL, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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.

MONTESSORI MIDDLE SCHOOL, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Statement of Net Position (Summary)			
	Governmental Activities			
	June 30, 2020	June 30, 2019	Change	% Change
Assets:				
Current and other assets	\$ 622,688	\$ 566,330	\$ 56,358	10%
Capital assets, net	5,107	2,083	3,024	145%
Total assets	627,795	568,413	59,382	10%
Liabilities:				
Current liabilities	27,054	37,453	(10,399)	-28%
Long-term liabilities	-	-	-	-----
Total liabilities	27,054	37,453	(10,399)	-28%
Net position:				
Investment in capital assets	5,107	2,083	3,024	145%
Unrestricted	595,634	528,877	66,757	13%
Total net position	\$ 600,741	\$ 530,960	\$ 69,781	13%

Of the two components of the School's net position, the largest portion is the unrestricted portion and the remaining portion of net position reflects the School's investment in capital assets. The School uses these capital assets to provide services to students, so these assets are not available for future spending. The School's investment in capital assets totaled \$5,107 as of June 30, 2020.

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 \$600,741 at the close of the current fiscal year. As of June 30, 2020, and 2019, unrestricted net position was approximately 99% of the total net position and the School's investment in capital assets makes up the remaining 1%.

MONTESSORI MIDDLE SCHOOL, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2020**

The key elements of the changes in the School's net position for the fiscal year ended June 30, 2020 and 2019 are as follows.

	Governmental Activities			
	For the year ended		Change	% Change
	June 30, 2020	June 30, 2019		
Revenues:				
<i>Program Revenues:</i>				
Operating grants and contributions	\$ 70,524	\$ 55,813	\$ 14,711	26%
<i>General revenues:</i>				
State and local sources passed through local school district	385,135	385,033	102	0%
Other general revenues	128	182	(54)	-30%
Total revenues	455,787	441,028	14,759	3%
Expenses:				
Instruction	194,133	178,694	15,439	9%
Student support services	5,236	3,079	2,157	70%
Instructional staff training services	4,727	1,630	3,097	190%
Governing board	6,868	6,684	184	3%
School administration	76,155	71,210	4,945	7%
Central services	7,458	7,538	(80)	-1%
Pupil transportation services	80	186	(106)	-57%
Operation of plant	91,349	70,496	20,853	30%
Total expenses	386,006	339,517	46,489	14%
Change in Net Position	\$ 69,781	\$ 101,511	\$ (31,730)	

Governmental activities' change in net position for 2020 was an increase of \$69,781 as compared to an increase of \$101,511 in the prior year.

- Total revenue increased by \$14,759 or 3%.
- Total expenses increased by \$46,489 or 14% mainly due to a \$15,439 (9%) increase in instructional expenses a \$4,945 (7%) increase in school administration expenses and a \$20,853 (30%) increase in operation of plant expense.

The largest revenue source for the School are the state and local funds received through the School District of Polk County, Florida (93% of total revenue in 2020 and 95% in 2019). 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.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds - As of June 30, 2020, the School's general fund reported a positive fund balance of \$595,634 or 153% of 2019-2020 general fund expenditures. As of June 30, 2019, the School's general fund reported a positive fund balance of \$528,877 or 156% of 2018-2019 general fund expenditures.

MONTESSORI MIDDLE SCHOOL, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2020, 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, 2020, actual budgetary inflows were \$1,125 greater than the final budgeted amount and actual outflows were \$4,404 less than budgeted appropriations resulting in an overall positive budget variance of \$5,529.

The budget was amended during the year increasing budgeted revenue by \$59,141 and increasing budgeted expenditures by \$22,898.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At June 30, 2020, the School had \$21,085 in capital assets, less accumulated depreciation of \$15,978, for net capital assets of \$5,107. Depreciation charges for the current fiscal year totaled \$1,982. More information about the School's capital assets is presented in the notes to financial statements.

Debt: At June 30, 2020, the School reported no long-term liabilities.

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.

School enrollment for the first semester of the 2020-2021 school year has declined significantly because of the reluctance of some parents to return their students to brick-and-mortar school facilities due to the ongoing effects of the COVID-19 pandemic. The Board of Directors of the School has agreed to hold a returning student's spot if they elect to participate in the Florida Virtual School during the first semester of the 2020-2021 school year. If these students complete the first semester at Florida Virtual School, they may return to Montessori Middle School for the second semester of the 2020-2021 school year. If they choose not to return, the School will fill the open spots with students from their waiting pool.

The School currently has 27 students enrolled compared to 60 during the 2019-2020 school year. For the second semester, management plans to fill open spots from their waiting pool up to a maximum enrollment of 30 students for the remainder of the 2020-2021 school year.

Effective July 1, 2020, the School has moved their operations to the LMS facilities where the School has been provided classroom space in exchange for an annual cost sharing payment of \$42,000 which was paid to LMS in July 2020.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Montessori Middle School's administrative offices at 1124 North Lake Parker Avenue, Lakeland, Florida 33805.

MONTESSORI MIDDLE SCHOOL, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***STATEMENT OF NET POSITION**June 30, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 620,056
Receivables, current:	
Intergovernmental	2,395
Other	237
Capital Assets:	
Depreciable, net	5,107
TOTAL ASSETS	627,795
LIABILITIES	
Due to Lakeland Montessori Schoolhouse, Inc.	25,348
Unearned revenue	1,706
TOTAL LIABILITIES	27,054
NET POSITION	
Investment in capital assets	5,107
Unrestricted	595,634
TOTAL NET POSITION	\$ 600,741

The accompanying notes are an integral part of these statements

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

For the year ended June 30, 2020

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	\$ 194,133	\$ -	\$ 37,561	\$ -	(156,572)
Student support services	5,236	-	-	-	(5,236)
Instructional staff training services	4,727	-	2,720	-	(2,007)
Governing board	6,868	-	-	-	(6,868)
School administration	76,155	-	-	-	(76,155)
Central services	7,458	-	-	-	(7,458)
Pupil transportation services	80	-	-	-	(80)
Operation of plant	91,349	-	30,243	-	(61,106)
Total governmental activities	\$ 386,006	\$ -	\$ 70,524	\$ -	(315,482)
GENERAL REVENUES:					
State and local sources passed through local school district					385,135
Interest income					128
Total general revenues					385,263
CHANGE IN NET POSITION					69,781
NET POSITION, beginning of year					530,960
NET POSITION, end of year					\$ 600,741

The accompanying notes are an integral part of these statements

MONTESSORI MIDDLE SCHOOL, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***BALANCE SHEET – GOVERNMENTAL FUNDS**June 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 620,056
Receivables, current:	
Intergovernmental	2,395
Other	237
TOTAL ASSETS	<u><u>\$ 622,688</u></u>
LIABILITIES	
Due to Lakeland Montessori Schoolhouse, Inc.	\$ 25,348
Unearned revenue	1,706
TOTAL LIABILITIES	<u>27,054</u>
FUND BALANCE	
Assigned for:	
Equipment	77,831
Curriculum	26,400
Professional development	52,000
Unassigned	439,403
TOTAL FUND BALANCE	<u>595,634</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 622,688</u></u>

The accompanying notes are an integral part of these statements

MONTESSORI MIDDLE SCHOOL, 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, 2020

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 595,634

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. 5,107

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 600,741

The accompanying notes are an integral part of these statements

MONTESSORI MIDDLE SCHOOL, 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, 2020

	General Fund
REVENUES:	
State and local sources:	
State and local sources passed through local school district	\$ 415,378
Contributions and other local sources	32,870
Total state and local sources	<u>448,248</u>
Federal sources:	
Federal sources passed through local school district	<u>7,538</u>
Total federal sources	<u>7,538</u>
Total revenues	<u>455,786</u>
EXPENDITURES:	
Current:	
Instruction	192,150
Student support services	5,236
Instructional staff training services	4,727
Governing board	6,868
School administration	76,155
Central services	7,458
Pupil transportation services	80
Operation of plant	91,349
Capital outlay	<u>5,006</u>
Total expenditures	<u>389,029</u>
NET CHANGE IN FUND BALANCE	66,757
FUND BALANCE, beginning of year	<u>528,877</u>
FUND BALANCE, end of year	<u>\$ 595,634</u>

The accompanying notes are an integral part of these statements

MONTESSORI MIDDLE SCHOOL, 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, 2020

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 66,757

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. 5,006

This is the amount of depreciation expense recorded in the current period. (1,982)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 69,781

The accompanying notes are an integral part of these statements

MONTESSORI MIDDLE SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Montessori Middle School (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 26, 2009. The governing body of the School is a Board of Directors comprised of not less than 3 or more than 7 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 original charter became effective on July 1, 2010 and has been extended through June 30, 2025. 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.

MONTESSORI MIDDLE SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 and, are collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

MONTESSORI MIDDLE SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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.

CAPITAL ASSETS

In the government-wide statements, capital assets include 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 acquisition 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.

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

	Years
Furniture and equipment	3-5

MONTESSORI MIDDLE SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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, 2017.

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.

MONTESSORI MIDDLE SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020, 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, 2020.
- 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, 2020.

MONTESSORI MIDDLE SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020.
- 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 assigned fund balance at June 30, 2020.
- 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 budgetary basis differs from the basis used for financial reporting purposes in that it includes an allowance for depreciation.

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	\$ 620,056
Total cash and cash equivalents	<u>\$ 620,056</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.

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

June 30, 2020

NOTE 4 – CHANGES IN CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<u>Governmental Activities:</u>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 32,836	\$ 5,006	\$ (16,757)	\$ 21,085
Total capital assets, being depreciated	<u>32,836</u>	<u>5,006</u>	<u>(16,757)</u>	<u>21,085</u>
Less accumulated depreciation for:				
Furniture and equipment	<u>(30,753)</u>	<u>(1,982)</u>	<u>16,757</u>	<u>(15,978)</u>
Total accumulated depreciation	<u>(30,753)</u>	<u>(1,982)</u>	<u>16,757</u>	<u>(15,978)</u>
Total capital assets being depreciated, net	<u>2,083</u>	<u>3,024</u>	<u>-</u>	<u>5,107</u>
Governmental activities capital assets, net	<u>\$ 2,083</u>	<u>\$ 3,024</u>	<u>\$ -</u>	<u>\$ 5,107</u>

Depreciation expense was charged to the following programs and functions:

<u>Governmental Activities:</u>	
Instruction	<u>\$ 1,982</u>
Total depreciation expense - governmental activities	<u>\$ 1,982</u>

NOTE 5 - 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, 2020 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, 2020, management was not aware of any legal actions or proceedings pending against the school.

MONTESSORI MIDDLE SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6 – RELATED PARTY

The School is related to Lakeland Montessori Schoolhouse, Inc. ("LMS"), a charter school and component unit of the District, through common board members. During the 2019-2020 school year, the School paid LMS \$20,365 pursuant to a cost sharing arrangement for administrative services provided by the Director of Finance and Strategic Planning.

LMS leases personnel from an unrelated professional employer organization. The leased personnel include those who provide services to the School and those who provide services to LMS. Personnel costs of those who provide services to the School are recorded as expenditures of the School as the costs are incurred and totaled \$210,993 for the year ended June 30, 2020. The School reimburses LMS for these costs under a cost sharing arrangement.

As of June 30, 2020, the School owed LMS \$25,348. This amount is reported as a separate component on the statement of net position and balance sheet on pages 8 and 10 respectively

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.

The COVID-19 pandemic has created economic disruptions throughout the country as of the date of this report causing significant declines in economic activity overall. Management is evaluating the impact of the COVID-19 pandemic on the School and has concluded that while it is reasonably possible that the virus could have a negative effect on the financial condition and results of operations of the School, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

MONTESSORI MIDDLE SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 – FACILITY LEASE

The School leased classroom space through an annual operating lease agreement for the year ended June 30, 2020. Facility lease expense for the fiscal year ended June 30, 2020 totaled \$67,048.

Effective July 1, 2020, the School has moved their operations to the LMS facilities where the School has been provided classroom space in exchange for an annual cost sharing payment of \$42,000 which was paid to LMS in July 2020.

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 93% of total revenue for the year ended June 30, 2020. The following is a schedule of revenue sources and amounts for the year ended June 30, 2020.

<u>Sources</u>	<u>Amount</u>
School District of Polk County, Florida	
Base funding and supplemental academic instruction	\$ 275,022
Class size reduction	52,023
Capital outlay	30,243
Discretionary millage	16,741
Discretionary tax equalization allocation	15,254
School recognition	6,014
Best and brightest award	5,617
Instructional materials allocation	4,820
Federal IDEA grant revenue	4,818
Compression allocation	3,263
Safe schools	3,205
Federal Title II grant revenue	2,720
Reading allocation	2,318
Teacher supply program	624
Digital classroom allocation	180
Discretionary lottery	54
Total revenue through the School District of Polk County, Florida	422,916
Other revenue:	
Other local sources	23,842
Parent support contributions	8,900
Interest revenue	128
Total revenue	\$ 455,786



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REQUIRED SUPPLEMENTARY INFORMATION

MONTESSORI MIDDLE SCHOOL, 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, 2020

	<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	\$ 388,020	\$ 414,255	\$ 415,378	\$ 1,123
Contributions and other local sources	7,500	32,868	32,870	2
Total state and local sources	395,520	447,123	448,248	1,125
Federal sources:				
Federal sources passed through local school district	-	7,538	7,538	-
Total federal sources	-	7,538	7,538	-
Total resources (inflows)	395,520	454,661	455,786	1,125
CHARGES TO APPROPRIATIONS (outflows):				
Current:				
Instruction	196,031	200,647	198,039	2,608
Student support services	1,890	5,260	5,236	24
Instructional staff training services	7,895	5,000	4,727	273
Governing board	8,497	7,154	6,868	286
School administration	77,936	77,951	77,254	697
Central services	7,220	7,500	7,458	42
Pupil transportation services	1,600	80	80	-
Operation of plant	71,448	91,823	91,349	474
Total charges to appropriations (outflows)	372,517	395,415	391,011	4,404
EXCESS (DEFICIENCY) OF RESOURCES OVER				
CHARGES TO APPROPRIATIONS	23,003	59,246	\$ 64,775	\$ 5,529
Budgeted excess inflows	(23,003)	(59,246)		
NET CHANGE IN FUND BALANCE	\$ -	\$ -		

Explanation of Differences between Budgetary Outflows and GAAP Expenditures

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule

\$ 391,011

Differences - budget to GAAP:

To adjust outflows for budgeted allowance for depreciation

(1,982)

Total expenditures as reported on the statement of revenues, expenditures and change in fund balance

\$ 389,029

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
Montessori Middle School, 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 Montessori Middle School, 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, 2020, 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 8, 2020.

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 8, 2020

MANAGEMENT LETTER

To the Board of Directors
Montessori Middle School, Inc.

Report on the Financial Statements

We have audited the financial statements of Montessori Middle School, 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, 2020, and have issued our report thereon dated September 8, 2020.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 8, 2020, 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. There were no prior audit findings.

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 did not have any such recommendations.

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.

Additional 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 and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity is Montessori Middle School, Inc. of District 53 Polk, School 8140.

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, the School District of Polk County, Florida 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 8, 2020