

*Basic Financial Statements and
Supplemental Information*

INNOVATION MONTESSORI OCOEE, INC.

June 30, 2021

INNOVATION MONTESSORI OCOEE, INC.

**Basic Financial Statements
and Supplemental Information**

(With Independent Auditor's Report Thereon)

June 30, 2021

INNOVATION MONTESSORI OCOEE, INC.

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Independent Auditor's Report

To the Board of Directors
Innovation Montessori Ocoee, Inc.
Ocoee, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Innovation Montessori Ocoee, Inc., (the "School"), a component unit of the School Board of Orange County, Florida as of and for the year ended June 30, 2021, which collectively comprise Innovation Montessori Ocoee, Inc.'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innovation Montessori Ocoee, Inc., as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 information, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Innovation Montessori Ocoee, Inc. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2021 on our consideration of the Innovation Montessori Ocoee, Inc.'s internal control over

financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the 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 Innovation Montessori Ocoee, Inc.'s internal control over financial reporting and compliance.

Schatz, Tschoff, Whitcomb, Mitchell & Shuidan, LLP

September 24, 2021
Maitland, Florida

Management's Discussion and Analysis

As management of Innovation Montessori Ocoee, Inc. (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements as listed in the table of contents.

Financial Highlights

- For the fiscal year ended June 30, 2021, the School's revenues were greater than expenses as shown on the School's statement of activities by \$42,264.
- As shown on the statement of net position, the School reported an unrestricted net position balance of \$522,793.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to be the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and transportation services are examples of the School's governmental activities.

Fund financial 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. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and capital outlay fund, both of which are considered to be major funds.

The School adopts annual appropriate budgets for the general and capital projects funds. Budgetary comparison statements have been provided to demonstrate compliance with these budgets and can be found on page 27 of this report.

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

Net Position may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's Net Position as of June 30, 2021 and June 30, 2020:

	Governmental Activities		
	2021	2020	\$ Change
ASSETS			
Current and other assets	\$ 1,100,953	1,142,429	(41,476)
Capital assets, net of accumulated depreciation	766,008	232,864	533,144
Other	10,000	10,000	-
Total assets	<u>1,876,961</u>	<u>1,385,293</u>	<u>491,668</u>
LIABILITIES			
Current and other liabilities	692,820	502,395	190,425
Noncurrent liabilities	406,414	147,435	258,979
Total liabilities	<u>1,099,234</u>	<u>649,830</u>	<u>449,404</u>
NET ASSETS			
Invested in capital assets, net of related debt	254,934	74,164	180,770
Unrestricted	522,793	661,299	(138,506)
Total net assets	<u>\$ 777,727</u>	<u>735,463</u>	<u>42,264</u>

The assets of the School consist of cash, amounts due from other agencies, and prepaid expenses and deposits. Liabilities consist of accrued salary and wages payable, accounts payable and notes payable. Total net position amounted to \$777,727 which included an unrestricted balance of \$522,793.

The key elements of the changes in the School's net position for the fiscal years ended June 30, 2021 and 2020 are as follows:

	Governmental Activities		
	2021	2020	\$ Change
Revenues:			
State services	\$ 5,584,271	5,199,117	385,154
Local and other	275,039	577,010	(301,971)
Interest income	61	2,247	(2,186)
Total revenues	5,859,371	5,778,374	80,997
Expenses:			
Instruction	3,106,539	3,072,175	34,364
Pupil personnel services	126,050	115,614	10,436
Instructional staff training	71,179	68,329	2,850
Board of Education	1,657	1,701	(44)
General administration	98,634	94,883	3,751
School administration	675,618	558,617	117,001
Facilities	39,596	23,791	15,805
Fiscal services	192,765	190,291	2,474
Food services	-	-	-
Operation of plant	1,471,312	1,357,527	113,785
Interest and amortization	33,757	9,208	24,549
Total expenses	5,817,107	5,492,136	324,971
Change in net assets	42,264	286,238	(243,974)
Net assets - beginning	735,463	449,225	286,238
Net assets - ending	<u>\$ 777,727</u>	<u>735,463</u>	<u>42,264</u>

The largest revenue source for the School is the State of Florida. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

The largest concentration of expenses for Instruction related functions which represents 56% of total expenditures. Total expenditures increased due to increased enrollment and expenditure of grant funds.

Financial Analysis of the School's Funds

As noted previously, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the School. At the end of the current fiscal year, unreserved fund balance of the general fund was \$522,793.

General Fund Budgetary Highlights

The Board of Directors approved a budget for the general fund and capital projects fund for fiscal year 2021. The favorable budget variances are the result of conservative and cautious budgeting practices, and a similarly prudent expenditure process.

Capital Asset and Debt Administration

Capital assets. The School's net investment in capital assets before related debt for its governmental activities as of June 30, 2021, totaled \$254,934 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, furniture, fixtures, and equipment. Additional information on the School's capital assets can be found in notes to the financial statements.

Requests for information

This financial report is designed to provide a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the management of Innovation Montessori Ocoee, Inc., 1644 N. Lakewood Avenue, Ocoee, FL 34761.

INNOVATION MONTESSORI OCOEE, INC.

Statement of Net Assets

June 30, 2021

Assets

Cash and cash equivalents	\$ 635,635
Accounts receivable	-
Prepaid expenses and other assets	465,318
Capital assets, net of accumulated depreciation:	
Leasehold improvements	192,544
Furniture, fixtures, and equipment	102,489
Construction in process	470,975
Other assets	<u>10,000</u>
Total assets	<u><u>\$ 1,876,961</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$ 588,160
Non current liabilities:	
Due within one year	104,660
Due after one year	<u>406,414</u>
Total liabilities	<u>1,099,234</u>
Net assets:	
Investment in capital assets, net of related debt	254,934
Unrestricted	<u>522,793</u>
Total net assets	<u>777,727</u>
Total liabilities and net assets	<u><u>\$ 1,876,961</u></u>

See accompanying notes to financial statements.

INNOVATION MONTESSORI OCOEE, INC.

Statement of Activities

For the year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 3,106,539	-	-	-	(3,106,539)
Pupil personnel services	126,050	-	-	-	(126,050)
Instructional staff training	71,179	-	-	-	(71,179)
Board of Education	1,657	-	-	-	(1,657)
General administration	98,634	-	-	-	(98,634)
School administration	675,618	-	12,813	-	(662,805)
Facilities	39,596	-	-	345,703	306,107
Fiscal services	192,765	-	-	-	(192,765)
Food services	-	-	-	-	-
Operation of plant	1,471,312	-	-	-	(1,471,312)
Interest	33,757	-	-	-	(33,757)
Total governmental activities	\$ 5,817,107	-	12,813	345,703	(5,458,591)
General revenues:					
					5,238,568
					61
					262,226
					<u>5,500,855</u>
					42,264
					<u>735,463</u>
					<u>\$ 777,727</u>

See accompanying notes to financial statements.

INNOVATION MONTESSORI OCOEE, INC.

Balance Sheet - Governmental Funds

June 30, 2021

	<u>General Fund</u>	<u>Capital Outlay</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 635,635	-	635,635
Accounts receivable	-	-	-
Prepaid expenses and other assets	465,318	-	465,318
Total assets	<u>\$ 1,100,953</u>	<u>-</u>	<u>1,100,953</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable and accrued expenses	\$ 588,160	-	588,160
Total liabilities	<u>588,160</u>	<u>-</u>	<u>588,160</u>
Fund balances:			
Unreserved	<u>522,793</u>	<u>-</u>	<u>522,793</u>
Total fund balances	<u>522,793</u>	<u>-</u>	<u>522,793</u>
Total liabilities and fund balances	<u>\$ 1,110,953</u>	<u>-</u>	<u>1,110,953</u>

See accompanying notes to financial statements.

INNOVATION MONTESSORI OCOEE, INC.

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets**

June 30, 2021

Fund balances - total governmental funds	\$ 522,793
The net assets reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	766,008
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	<u>(511,074)</u>
Total net assets of governmental activities	<u><u>\$ 777,727</u></u>

See accompanying notes to financial statements.

INNOVATION MONTESSORI OCOEE, INC.

**Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds**

For the year ended June 30, 2021

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
State	\$ 5,238,568	345,703	5,584,271
Local and other income	275,039	-	275,039
Interest income	61	-	61
Total revenue	<u>5,513,668</u>	<u>345,703</u>	<u>5,859,371</u>
Expenditures:			
Current:			
Instruction	3,106,539	-	3,106,539
Pupil personnel services	126,050	-	126,050
Instructional staff training	71,179	-	71,179
Board of Education	1,657	-	1,657
General administration	98,634	-	98,634
School administration	675,618	-	675,618
Facilities	-	-	-
Fiscal services	192,765	-	192,765
Food services	-	-	-
Operation of plant	1,379,732	91,580	1,471,312
Fixed capital outlay	-	572,740	572,740
Debt service:			
Principal	-	46,707	46,707
Interest	-	33,757	33,757
Total expenditures	<u>5,652,174</u>	<u>744,784</u>	<u>6,396,958</u>
Excess revenues over expenditures	(138,506)	(399,081)	(537,587)
Other financing sources:			
Note payable issued	-	399,081	399,081
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources	<u>-</u>	<u>399,081</u>	<u>399,081</u>
Net change in fund balance	(138,506)	-	(138,506)
Fund balances at July 1, 2020	<u>661,299</u>	<u>-</u>	<u>661,299</u>
Fund balances at June 30, 2021	<u>\$ 522,793</u>	<u>-</u>	<u>522,793</u>

See accompanying notes to financial statements.

INNOVATION MONTESSORI OCOEE, INC.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds to the Statement of Activities**

For the year ended June 30, 2021

Net change in fund balances - total government funds \$ (138,506)

The change in net assets reported for governmental activities
in the statement of activities are different because:

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

Fixed capital outlay	572,740	
Depreciation	(39,596)	
Loss on disposal of equipment	-	533,144

The issuance of long-term debt provides current financial
resources to governmental funds, while the repayment of
the principal of long-term debt consumes the current
financial resources of governmental funds. Neither
transactions, however, has any effect on net assets. Also,
governmental funds report the effect of issuance costs,
premiums, discounts, and similar items when the debt is
first issued, whereas these amounts are deferred and
amortized in the statement of activities.

Issuance of long-term debt	(399,081)	
Note payable principal payments	46,707	(352,374)

Change in net assets of governmental activities \$ 42,264

See accompanying notes to financial statements.

INNOVATION MONTESSORI OCOEE, INC.

Notes to Financial Statements

June 30, 2021

(1) Organization

Innovation Montessori Ocoee, 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. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three 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 District School Board of Orange County, Florida. The charter was granted starting for the 2011-12 school year and is effective until June 30, 2031 and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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 the 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 and 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 on these criteria, no component units are included within the reporting entity of the School.

INNOVATION MONTESSORI OCOEE, INC.

Notes to Financial Statements

June 30, 2021

(2) Summary of Significant Accounting Policies

(a) Government-wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business-type activities.

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets net of related debt, restricted net assets, and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of the School's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government wide presentation.

INNOVATION MONTESSORI OCOEE, INC.

Notes to Financial Statements

June 30, 2021

(2) **Summary of Significant Accounting Policies - Continued**

(b) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within sixty days of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt are recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund - the general operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

INNOVATION MONTESSORI OCOEE, INC.

Notes to Financial Statements

June 30, 2021

(2) **Summary of Significant Accounting Policies - Continued**

(b) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

Capital Outlay - to account for certain capital outlay program resources.

Debt Service Fund - to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs.

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

(c) **Cash and Cash Equivalents**

The School's cash and cash equivalents consist of deposits, cash on hand, and investments with a maturity date of three months or less.

(d) **Receivables**

The School's receivables typically consist of amounts due from the local school district at June 30, 2021. After reviewing the individual account balances, the School's management has determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

(e) **Interfund Activity**

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. As of June 30, 2021, there were no interfund receivables.

(f) **Capital Assets**

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$2,500 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation.

INNOVATION MONTESSORI OCOEE, INC.

Notes to Financial Statements

June 30, 2021

(2) **Summary of Significant Accounting Policies - Continued**

(f) **Capital Assets - Continued**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture, fixtures, and equipment	3-5 years
Leasehold improvements	5-10 years

(g) **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

(h) **Revenue Resources**

Revenues for current operations are received primarily from the State of Florida passed through the District to the School 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 FTE students and related data to the Florida Department of Education (FLDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FLDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

INNOVATION MONTESSORI OCOEE, INC.

Notes to Financial Statements

June 30, 2021

(2) Summary of Significant Accounting Policies - Continued

(h) Revenue Resources - Continued

The School at times receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until such eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred. For the year ended June 30, 2021, no federal awards were received.

Additionally, other revenues may be derived from various other activities and programs.

(i) Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(j) Income Taxes

The School qualifies as a tax-exempt organization, and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

(k) Net Position and Fund Balance Classification

Government-wide Financial Statements

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.

INNOVATION MONTESSORI OCOEE, INC.

Notes to Financial Statements

June 30, 2021

(2) **Summary of Significant Accounting Policies - Continued**

(k) **Net Position and Fund Balance Classification - Continued**

- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

INNOVATION MONTESSORI OCOEE, INC.

Notes to Financial Statements

June 30, 2021

(2) Summary of Significant Accounting Policies - Continued

(I) Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through September 18, 2021, which is the date the financial statements were available to be issued.

(3) Cash and Cash Equivalents

Custodial Credit Risk – The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Federal Deposit Insurance Corporation (“FDIC”) insures up to \$250,000 per depositor for all insurable accounts.

(4) Capital Assets

Changes in capital assets are as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets depreciated:				
Furniture, fixtures and equipment	\$ 46,086	101,765	-	147,851
Leasehold improvements	244,619	2,000	-	246,619
Construction in process	2,000	468,975	-	470,975
Total assets depreciated	292,705	572,740	-	865,445
Less accumulated depreciation:				
Furniture, fixtures and equipment	24,065	21,297	-	45,362
Leasehold improvements	35,776	18,299	-	54,075
Total accumulated depreciation	59,841	39,596	-	99,437
Total government activities capital assets, net	\$ 232,864			766,008

INNOVATION MONTESSORI OCOEE, INC.

Notes to Financial Statements

June 30, 2021

(4) Capital Assets - Continued

Depreciation expense for the year ended June 30, 2021 was charged to functions of the School as follows:

Instruction	\$ 10,443
Facilities	18,299
School administration	<u>10,854</u>
Total depreciation	<u><u>\$ 39,596</u></u>

(5) Long-Term Liabilities

Changes in Long-Term Liabilities

Changes in long-term liabilities are as follows:

	Balance at July 1, 2020	Additions	Reductions	Balance at June 30, 2021	Due within one year
Note payable	\$ 158,700	-	11,259	147,441	11,900
Note payable	-	399,081	35,448	363,633	92,760

In March 2018, the School entered into a note to aide in the construction of solar power equipment. The construction of this project was completed in June 2018. The note payable is due in monthly installments of \$1,652, including interest at 5.5% through April 2031 at which date the balance is due. The note is collateralized by a mortgage on the facilities. Current year interest on the note was \$8,419.

In January 2020, the School entered into a note to finance building construction. The note is due in monthly payments of \$9,464, including interest at 6.57% through November 2024. The note is collateralized by the building. Current year interest on the note was \$25,338.

INNOVATION MONTESSORI OCOEE, INC.

Notes to Financial Statements

June 30, 2021

(6) Concentrations

Revenue Resources

As stated in note 2(h), the School receives revenues from current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Sources	Amounts
School District of Orange County:	
Florida Education Finance Program	\$ 3,106,557
ESE guaranteed allocation	108,067
Supplemental academic instruction	156,145
Class size reduction	684,008
Safe schools	41,899
Discretionary millage	375,162
Special millage	533,561
Instructional materials	52,238
Compression adjustment	2,113
Reading allocation	27,610
Teacher salary increase	123,734
Capital outlay	345,703
Miscellaneous state	27,474
Total passed through the School District	\$ 5,584,271

(7) Lease Commitments

On March 9, 2017, the School has entered into a new lease for its educational facility that was fully occupied as of January 2018. The lease expires on June 30, 2042 and can be renewed for two additional five-year terms. Payments associated with this lease will be recorded as rental expense during the period to which these relate.

The following are the future minimum payments required under the non-cancellable lease at June 30, 2021:

2022	\$ 1,200,000
2023	1,200,000
2024	1,200,000
2025	1,200,000
2026	1,200,000
Thereafter	21,050,000

INNOVATION MONTESSORI OCOEE, INC.

Notes to Financial Statements

June 30, 2021

(8) Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial liability insurance. Under the plan for property insurance, the School's liability is \$1,000 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2021. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

(9) Commitments and Contingent Liabilities

The School participates in state 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 and the collectability of any related receivables at June 30, 2021 may be impaired.

(10) Funding and Credit Risk Concentrations

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget-based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

(11) Legal Matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. The School has no legal actions or pending proceedings in progress.

REQUIRED SUPPLEMENTAL INFORMATION

INNOVATION MONTESSORI OCOEE, INC.

Required Supplementary Information
Budgetary Comparison Schedule - General Fund and Major Special Revenue Fund - (Unaudited)

For the year ended June 30, 2021

	General Fund				Capital Outlay			
	Original Budget	Final Budget	Actual	Variation With Final Budget	Original Budget	Final Budget	Actual	Variation With Final Budget
Revenues:								
Intergovernmental:								
State	\$ 5,075,606	5,075,606	5,238,568	(162,962)	325,000	325,000	345,703	(20,703)
Local and Other	539,260	539,260	275,100	264,160	-	-	-	-
Total revenues	5,614,866	5,614,866	5,513,668	101,198	325,000	325,000	345,703	(20,703)
Expenditures:								
Current - Education:								
Instruction	3,224,108	3,224,108	3,106,539	117,569	-	-	-	-
Pupil Personnel Services	108,257	108,257	126,050	(17,793)	-	-	-	-
Instructional Media	-	-	-	-	-	-	-	-
Instructional Staff Trainings	67,500	67,500	71,179	(3,679)	-	-	-	-
Board of Education	3,731	3,731	1,657	2,074	-	-	-	-
General Administration	101,512	101,512	98,634	2,878	-	-	-	-
School Administration	655,481	655,481	675,618	(20,137)	-	-	-	-
Facilities Acquisition	-	-	-	-	-	-	-	-
Fiscal Services	195,080	195,080	192,765	2,315	-	-	-	-
Foods Services	-	-	-	-	-	-	-	-
Central Services	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Operation of Plant	1,215,754	1,215,754	1,379,732	(163,978)	255,000	255,000	91,580	163,420
Fixed Capital Outlay:								
Other Capital Outlay	-	-	-	-	-	-	572,740	(572,740)
Debt service:								
Principal	-	-	-	-	40,000	40,000	46,707	(6,707)
Interest	-	-	-	-	30,000	30,000	33,757	(3,757)
Total expenditures	5,571,423	5,571,423	5,652,174	(80,751)	325,000	325,000	744,784	(419,784)
Excess/(Deficiency) of Revenues								
Over/(Under) Expenditures	43,443	43,443	(138,506)	181,949	-	-	(399,081)	399,081
Other Financing Sources:								
Note payable issued	-	-	-	-	-	-	399,081	-
Total Other Financing Sources	-	-	-	-	-	-	-	-
Net change in fund balances	43,443	43,443	(138,506)	181,949	-	-	-	-
Fund balance at July 1, 2020	522,793	522,793	661,299	(138,506)	-	-	-	-
Fund balance at June 30, 2021	\$ 566,236	566,236	522,793	43,443	-	-	-	-

See accompanying notes to financial statements.

INNOVATION MONTESSORI OCOEE, INC.

Note to Required Supplemental Information

June 30, 2021

(1) **Budgetary Information**

(a) **Budgetary Basis of Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general fund and capital outlay fund and may be amended by the Board of Directors (the “Board”). The budgets presented for fiscal year June 30, 2021, have not been amended.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

SUPPLEMENTAL INFORMATION

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**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
Innovation Montessori Ocoee, Inc.
Ocoee, Florida

We have audited, 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, the financial statements of Innovation Montessori Ocoee, Inc. (the “School”), a component unit of the School Board of Orange County, Florida as of and for the year ended June 30, 2021, which collectively comprise Innovation Montessori Ocoee, Inc.’s basic financial statements, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Innovation Montessori Ocoee, Inc.’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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Innovation Montessori Ocoee, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Innovation Montessori Ocoee, Inc.’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization’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 Innovation Montessori Ocoee, Inc.'s financial statements are free of 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*.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schatz, Tschagg, Whitcomb, Mitchell & Shulman, LLP

September 24, 2021
Maitland, Florida

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**Management Letter as Required by Rules of the Florida Auditor General
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors
Innovation Montessori Ocoee, Inc.

We have audited the accompanying financial statements of Innovation Montessori Ocoee, Inc. (“School”), a charter school and component unit of the District School Board of Orange County, Florida as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 24, 2021.

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.

Other Reporting Required by *Government Auditing Standards*

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 those reports and schedule, which are dated September 24, 2021, 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. The School did not have findings and recommendations made in the preceding annual financial audit report.

Financial Condition

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, required that we apply appropriate procedures to determine 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, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply 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 the financial information provided by same.

Transparency

Pursuant to Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine 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)3., Rules of the Auditor General, require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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.

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is the Innovation Montessori Ocoee, Inc.

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.

Schatz, Tschoff, Whitcomb, Mitchell & Shulman, LLP

September 24, 2021
Maitland, Florida