



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

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

June 30, 2021

MAGNOLIA MONTESSORI ACADEMY, INC.

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

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Magnolia Montessori Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Magnolia Montessori Academy, Inc., (the "School"), a charter school and component unit of the School District of Polk County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Magnolia Montessori Academy, Inc., as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(cont...)

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of Magnolia Montessori Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Magnolia Montessori Academy's internal control over financial reporting and compliance.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
September 30, 2021

MAGNOLIA MONTESSORI ACADEMY, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

The management's discussion and analysis (MD&A) provides an overview of Magnolia Montessori Academy, Inc.'s ("School") activities for the year ended June 30, 2021 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, 2021 totaled \$454,765 or 37% of 2020-2021 expenses compared to the June 30, 2020 total of \$183,569 or 18% of 2019-2020 expenses. It is important to note that as of June 30, 2021, the School reported a negative unrestricted net position of \$30,033.
- For the year ended June 30, 2021, the School's total net position increased by \$271,196 compared to an increase of \$23,968 for the prior year.
- As of the close of the current fiscal year, the School's general fund reported an ending fund balance deficit of (\$122,501), an decrease of \$421,806 in comparison with the prior year.
- At the close of the current fiscal year, the School's general fund reported a unassigned fund balance deficit of (\$123,838). At the close of the prior fiscal year the School's general fund reported a unassigned fund balance of \$297,968 which represented 29% of the total expenditures for the year ended June 30, 2020.
- The decline in the financial position of the School is mainly due to the purchase and renovation of new school facilities during the year and the timing of construction costs being incurred in advance of loan construction draws.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

MAGNOLIA MONTESSORI ACADEMY, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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.

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

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

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

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

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

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

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

MAGNOLIA MONTESSORI ACADEMY, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2021****GOVERNMENT-WIDE FINANCIAL ANALYSIS**

	Governmental Activities			
	For the year ended		Change	% Change
	June 30, 2021	June 30, 2020		
Assets:				
Current and other assets	\$ 130,132	\$ 358,615	\$ (228,483)	-64%
Capital assets, net	1,654,427	34,242	1,620,185	4732%
Total assets	1,784,559	392,857	1,391,702	354%
Liabilities:				
Current liabilities	270,633	67,885	202,748	299%
Long-term liabilities	1,059,161	141,403	917,758	649%
Total liabilities	1,329,794	209,288	1,120,506	535%
Net position:				
Net investment in capital assets	484,798	34,242	450,556	1316%
Unrestricted	(30,033)	149,327	(179,360)	-120%
Total net position	\$ 454,765	\$ 183,569	\$ 271,196	148%

The assets of the School consist primarily of cash and cash equivalents and capital assets. Capital assets include school equipment as well as the current year purchase of real property and related renovation and improvement costs to be used as new School facilities in the 2021-2022 school year. Current liabilities consist primarily of accounts payable, construction costs payable and accrued wages payable. Long-term liabilities consist of the accumulated compensated absences liability and long-term debt incurred to fund the acquisition, renovation and improvements of the new School facilities referenced above. Long-term debt of \$231,340 was outstanding on June 30, 2021 that represents short-term interim financing of which \$30,000 was paid off in August 2021 and the remaining \$201,340 is scheduled to be paid off in December 2021.

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 \$454,765 at the close of the current fiscal year and the unrestricted component of net position was a negative (\$30,033).

MAGNOLIA MONTESSORI ACADEMY, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2021**

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

	Governmental Activities			
	For the year ended			
	June 30, 2021	June 30, 2020	Change	% Change
Revenues:				
<i>Program Revenues:</i>				
Charges for services	\$ 254,171	\$ 220,551	\$ 33,620	15%
Operating grants and contributions	93,436	70,775	22,661	32%
<i>General revenues:</i>				
State and local sources passed through local school district	831,221	712,589	118,632	17%
Grants and contributions not restricted to specific programs	127,500	-	127,500	-----
Other general revenues	182,338	47,830	134,508	281%
Total revenues	1,488,666	1,051,745	436,921	42%
Expenses:				
Instruction	755,645	631,502	124,143	20%
Student support services	8,699	11,528	(2,829)	-25%
Governing board	7,700	7,175	525	7%
School administration	183,566	167,202	16,364	10%
Central services	16,576	14,000	2,576	18%
Operation of plant	213,724	187,644	26,080	14%
Community services and other	14,217	8,726	5,491	63%
Interest on long-term debt	17,343	-	17,343	-----
Total expenses	1,217,470	1,027,777	189,693	18%
Change in Net Position	\$ 271,196	\$ 23,968	\$ 247,228	

The School's total revenues were \$1,488,666 for 2021 compared to \$1,051,745 for 2020 while the total costs of all programs and services were \$1,217,470 in 2021 and \$1,027,777 in 2020. This resulted in an increase in net position of \$271,196 in 2021 compared to an increase of \$23,968 in 2020.

The largest revenue source for the School are the state and local funds received through the School District of Polk County, Florida (67% of total revenue in 2021 and 75% in 2020). 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.

Total revenue increased by \$436,921 or 42% mainly due to the following:

- The School's Paycheck Protection Program (PPP) loan was forgiven in the current year resulting in \$127,500 reported as grants and contributions not restricted to specific programs.

MAGNOLIA MONTESSORI ACADEMY, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

- Other general revenue increased by \$134,508 or 281% because of increased fundraising activity to assist the school in the facilities renovations and remodel project.
- State and local sources passed through the local school district increased by \$118,632 or 17% mainly due to a 13% in the FTE student count used for funding purposes coupled with an increase in the per-student funding amount.

Total expenses increased by \$189,693 or 18% mainly due to the following:

- Instructional expenses increased by \$124,143 mainly due to increased personnel related costs for new positions being filled and pay increases for existing positions.
- Operation of plant expenses increased by \$26,080 or 14% due to increased security and insurance costs.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds - As of June 30, 2021, the School's general fund reported a negative fund balance of (\$122,501). As of June 30, 2020, the School's general fund reported a positive fund balance of \$299,305 or 29% of 2019-2020 general fund expenditures. The main reason for the decrease in 2021 is due significant facility purchase and renovation expenditures that were incurred in advance of loan draws resulting in liabilities in excess of general fund assets at year-end that were paid for with loan draws made shortly after year-end.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2021, 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, 2021, actual budgetary inflows were \$156,777 greater than the final budgeted amount and actual outflows were \$19,461 less than budgeted appropriations resulting in an overall favorable budget variance of \$176,238.

The budget was not amended during the year.

CAPITAL ASSETS

At June 30, 2021, the School had \$1,672,764 in capital assets, less accumulated depreciation of \$18,337, for net capital assets of \$1,620,185. Depreciation charges for the current fiscal year totaled \$2,319. The net capital assets increased by \$1,608,484 during the current year due to the purchase and renovation of new school facilities. More information about the School's capital assets is presented in the notes to financial statements.

MAGNOLIA MONTESSORI ACADEMY, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

LONG-TERM LIABILITIES

At June 30, 2021, the School's long-term liabilities consisted of \$15,731 of unused compensated absences and \$1,043,430 of long-term debt. The School's total long-term liabilities increased by \$917,758 during the current year due to entering into three separate notes payable totaling \$1,043,430 that were used to fund the purchase and renovation of new school facilities. More information about the School's long-term liabilities is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The budget is initially adopted by June of the prior year based on a conservative estimate of enrollment and estimated per pupil revenue from the state. This enrollment is based on the number of expected returning students and the number of students in the waiting pool for available spaces. Enrollment is expected to increase in the 2021-2022 fiscal year. Enrollment at the School was 106 students for the 2020-2021 school year and enrollment is expected to be 150 students for the 2021-2022 school year due to increased capacity of the new school facilities.

Management continues to monitor the ongoing effects of the COVID-19 pandemic 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.

REQUEST FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional information should be addressed to the Director of Finance, Magnolia Montessori Academy, Inc. 815 S. Central Ave, Lakeland, FL 33815.

MAGNOLIA MONTESSORI ACADEMY, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***STATEMENT OF NET POSITION**June 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 105,760
Receivables, current:	
Intergovernmental	11,346
Deposits	13,026
Capital assets:	
Non-depreciable	1,088,466
Depreciable, net	565,961
TOTAL ASSETS	1,784,559
LIABILITIES	
Accounts payable and accrued wages	99,934
Construction payable	126,199
Unearned revenue - deposits	18,000
Unearned revenue - prepaid tuition	17,075
Unearned revenue - grants	9,425
Long-term liabilities:	
Due within one year	278,553
Due in more than one year	780,608
TOTAL LIABILITIES	1,329,794
NET POSITION	
Net investment in capital assets	484,798
Unrestricted	(30,033)
TOTAL NET POSITION	\$ 454,765

The accompanying notes are an integral part of these statements

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

For the year ended June 30, 2021

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	\$ 755,645	\$ 233,676	\$ 38,018	\$ -	\$ (483,951)
Student support services	8,699	-	-	-	(8,699)
Governing board	7,700	-	-	-	(7,700)
School administration	183,566	-	-	-	(183,566)
Central services	16,576	-	-	-	(16,576)
Operation of plant	213,724	-	55,418	-	(158,306)
Community services and other	14,217	20,495	-	-	6,278
Interest on long-term debt	17,343	-	-	-	(17,343)
Total governmental activities	\$ 1,217,470	\$ 254,171	\$ 93,436	\$ -	\$ (869,863)
GENERAL REVENUES:					
					831,221
					127,500
					182,338
					<u>1,141,059</u>
CHANGE IN NET POSITION					271,196
NET POSITION, beginning of year					<u>183,569</u>
NET POSITION, end of year					<u>\$ 454,765</u>

The accompanying notes are an integral part of these statements

MAGNOLIA MONTESSORI ACADEMY, INC.

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

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2021

	General Fund
ASSETS	
Cash and cash equivalents	\$ 105,760
Receivables, current:	
Intergovernmental	11,346
Deposits	13,026
TOTAL ASSETS	\$ 130,132
LIABILITIES	
Accounts payable and accrued wages	\$ 99,934
Construction costs payable	126,199
Unearned revenue	26,500
TOTAL LIABILITIES	252,633
FUND BALANCE	
Assigned for:	
Playground improvements	1,337
Unassigned	(123,838)
TOTAL FUND BALANCE	(122,501)
TOTAL LIABILITIES AND FUND BALANCE	\$ 130,132

The accompanying notes are an integral part of these statements

MAGNOLIA MONTESSORI ACADEMY, INC.

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

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

June 30, 2021

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (122,501)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,654,427
Some unearned revenue of the governmental activities are not considered earned and therefore, while considered measurable and available and reported as revenue in the governmental funds, these revenues are reported as a liability in the governmental activities until earned.	(18,000)
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the governmental funds:	
Long-term debt	(1,043,430)
Compensated absences	<u>(15,731)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 454,765</u></u>

The accompanying notes are an integral part of these statements

MAGNOLIA MONTESSORI ACADEMY, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS**
For the year ended June 30, 2021

	General Fund
REVENUES:	
State and local sources:	
State and local sources passed through local school district	\$ 886,639
Pre kindergarten and aftercare fees	231,942
Contributions and other local sources	213,992
Total state and local sources	<u>1,332,573</u>
Federal sources:	
Federal sources passed through local school district	<u>38,018</u>
Total federal sources	<u>38,018</u>
Total revenues	<u>1,370,591</u>
EXPENDITURES:	
Current:	
Instruction	740,602
Student support services	8,699
Governing board	7,700
School administration	182,645
Central services	16,576
Operation of plant	213,724
Community services and other	14,217
Capital outlay	1,634,320
Debt service	17,343
Total expenditures	<u>2,835,826</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,465,235)</u>
OTHER FINANCING SOURCES (USES)	
Loan proceeds	<u>1,043,429</u>
Total other financing sources (uses)	<u>1,043,429</u>
NET CHANGE IN FUND BALANCE	(421,806)
FUND BALANCE, beginning of year	<u>299,305</u>
FUND BALANCE, end of year	<u>\$ (122,501)</u>

The accompanying notes are an integral part of these statements

MAGNOLIA MONTESSORI ACADEMY, INC.

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2021

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (421,806)

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.	1,634,320
This is the amount of depreciation expense recorded in the current period.	(2,319)
This is the book value of capital assets disposed in the current period.	(11,816)

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

This is the amount of unearned revenue - deposits, reported as of June 30, 2020.	8,575
This is the amount of unearned revenue - deposits, reported as of June 30, 2021.	(18,000)

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

This is the change in accrued compensated absences during the year.	(1,828)
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The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

This is the amount of new loans during the year.	(1,043,430)
This is the amount of loan forgiveness during the year.	127,500

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 271,196

The accompanying notes are an integral part of these statements

MAGNOLIA MONTESSORI ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

BASIS OF PRESENTATION

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

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

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

MAGNOLIA MONTESSORI ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

BASIS OF PRESENTATION (concluded)

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

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

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

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

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

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

CASH AND CASH EQUIVALENTS

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

MAGNOLIA MONTESSORI ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Loan issuance costs are reported as expense in the period incurred. Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

INTEREST COSTS

Interest costs are recognized as an expense in the period in which the costs are incurred. Interest costs are not capitalized as part of the historical cost of a capital asset.

COMPENSATED ABSENCES

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

MAGNOLIA MONTESSORI ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

CAPITAL ASSETS

In the government-wide statements, capital assets include leasehold improvements and furniture and equipment. Capital assets are defined as personal or real property or improvements with an individual cost of \$750 or more and that is either titled in the School's name or for which the School has the continuing responsibility for maintenance. Such assets are recorded at historical cost and reported net of accumulated depreciation. Donated assets are recorded at 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
Leasehold improvements	3-20
Furniture and equipment	3-5
Buildings and improvements	40

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, 2018.

MAGNOLIA MONTESSORI ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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.

In response to State of Florida Department of Education emergency orders 2020-EO-06 and 2020-EO-07, local school district funding for the fall 2020 semester was based on the School's estimated FTE student enrollment for the 2020-2021 school year as determined in May 2020, regardless of actual enrollment. Funding for the spring 2021 semester was based on the greater of estimated or actual FTE student enrollment in the spring. The School's actual FTE student enrollment was 106 while the FTE student enrollment that was estimated for the 2020-2021 school year was 116 as a result the School was funded by the local school district based upon the 116 FTE student enrollment amount.

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, 2021, 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.

MAGNOLIA MONTESSORI ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

EQUITY CLASSIFICATIONS

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, 2021.
- 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, 2021.
- 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, 2021.
- d) *Assigned* - amounts the School intends to use for a specific purpose but are neither restricted nor committed. Assignments can be made by the principal or by an official or body which the Board of Directors have delegated the authority. The School reported fund balance assigned for playground improvements at June 30, 2021.
- 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 11.

MAGNOLIA MONTESSORI ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE 2 - BUDGETARY LAW AND PRACTICE

The budget is adopted by the School's Board of Directors on or before July 1 of each year by motion in the minutes. All budget amounts presented in the accompanying supplementary information have been adjusted for legally authorized amendments. The budget for the general fund is prepared on a cash basis which differs from the basis used for financial reporting purposes.

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:

Cash deposits in financial institutions:

Insured or fully collateralized bank deposits	\$	103,738
State Board of Administration - local government pool		2,022
		<hr/>
Total cash and cash equivalents	\$	<u>105,760</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.

The State Board of Administration (SBA) component of cash and cash equivalents is an investment with Florida PRIME, an investment pool administered by the SBA, under the regulatory oversight of the State of Florida. Florida PRIME meets all the necessary criteria to report their investments at amortized cost in accordance with GASB Cod. Sec. In5. As of June 30, 2021, there were no redemption fees, maximum transaction amounts or any other requirements that serve to limit the School's access to one hundred percent of their account value.

There were no investment securities maintained during the year.

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

June 30, 2021

NOTE 4 – CHANGES IN CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ -	\$ 157,857	\$ -	\$ 157,857
Construction-in-progress	17,960	912,649	-	930,609
Total capital assets, not being depreciated	17,960	1,070,506	-	1,088,466
Capital assets, being depreciated:				
Leasehold improvements	76,195	-	(76,195)	-
Buildings and improvements	-	563,814	-	563,814
Furniture and equipment	25,200	-	(4,716)	20,484
Total capital assets, being depreciated	101,395	563,814	(80,911)	584,298
Less accumulated depreciation for:				
Leasehold improvements	(61,992)	(1,724)	63,716	-
Buildings and improvements	-	-	-	-
Furniture and equipment	(23,121)	(595)	5,379	(18,337)
Total accumulated depreciation	(85,113)	(2,319)	69,095	(18,337)
Total capital assets being depreciated, net	16,282	561,495	(11,816)	565,961
Governmental activities capital assets, net	<u>\$ 34,242</u>	<u>\$1,632,001</u>	<u>\$ (11,816)</u>	<u>\$1,654,427</u>

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

Instruction	\$ 1,399
School administration	920
Total depreciation expense - governmental activities	<u>\$ 2,319</u>

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

June 30, 2021

NOTE 5 – CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2021:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Amounts Due within One Year
<u>Governmental Activities:</u>					
Long-term liabilities:					
Long-term debt					
PPP loan advance	\$ 127,500	\$ -	\$ (127,500)	\$ -	\$ -
Note A	-	812,090	-	812,090	47,213
Note B	-	30,000	-	30,000	30,000
Note C	-	201,340	-	201,340	201,340
Total long-term debt	127,500	1,043,430	(127,500)	1,043,430	278,553
Compensated absences	13,903	18,021	(16,193)	15,731	-
Total long-term liabilities	<u>\$ 141,403</u>	<u>\$ 1,061,451</u>	<u>\$ (143,693)</u>	1,059,161	<u>\$ 278,553</u>
Less amounts due in one year				<u>(278,553)</u>	
Net long-term liabilities due after one year				<u>\$ 780,608</u>	

All the School's long-term debt arose through direct borrowings or direct placements.

PPP loan advance - The amount reported as long-term debt of the School represents a loan advance received in the prior year under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP). The loan was forgiven on May 12, 2021 under the terms of the PPP.

Note A – This note is an interim line of credit note issued by a local bank on September 30, 2020 in the initial available credit amount of \$958,500 of which \$560,000 was used to finance the purchase of a former church facility with intentions to renovate the building and relocate the School to that location. As of June 30, 2021, \$146,410 was still available on the original line of credit. The loan bears interest at 4% of the outstanding principal balance and required monthly interest only payments until September 30, 2021 when all outstanding principal and interest was due. This note is secured by a mortgage on the new school facilities.

On July 9, 2021, the note was amended by increasing the total principal loan amount to \$1,295,000 allowing the School more funding for additional facility renovations. The amended note requires two monthly interest only payments at 4% and then 119 monthly principal and interest payments in the amount of \$7,817 with interest accruing at 3.9% per annum with a balloon payment on September 30, 2031. The amounts due within one year above and the principal and the interest maturities table on the next page are determined based upon the terms of this amended note even though it was entered into after the end of the year in accordance with GASB Cod. Sec 1500.110.

In the event of default, the lender has the right to declare the entire indebtedness immediately due and payable and take whatever legal action necessary, including the appointment of a receiver, judicial foreclosure, or sale of property to collect the amounts due.

MAGNOLIA MONTESSORI ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE 5 – CHANGES IN LONG-TERM OBLIGATIONS (concluded)

Note B – This note was issued by a friend of the School on April 7, 2021 for a total principal amount of \$30,000. This loan was repaid on August 23, 2021, required no periodic payments and bore interest at zero percent. The note proceeds were used for interim financing to fund school facility renovation and remodel costs.

Note C – This note was issued by a friend of the School on June 1, 2021 for a total principal amount of \$201,340. This loan bears interest at 10% per annum and requires five interest-only payments of \$1,678 until December 1, 2021 when the entire principal and accrued interest will be due and payable. The note proceeds were used to fund school facility renovation and remodel costs. This note is secured by a second mortgage on the new school facilities. In the event of default the lender may declare the note immediately due and payable.

Maturities: Annual requirements to repay all long-term debt as of June 30, 2021 are as follows:

<u>Fiscal Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 278,553	\$ 41,128
2023	65,135	28,674
2024	67,721	26,088
2025	70,410	23,399
2026	73,206	20,603
2027-2031	412,007	57,040
2032-2036	76,398	671
Total	<u>\$ 1,043,430</u>	<u>\$ 197,603</u>

The School has tentative plans to refinance all long-term debt in October 2021 with terms approximating 4% interest, 20-year principal amortization and 10-year final balloon payment.

MAGNOLIA MONTESSORI ACADEMY, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE 6 - RISK MANAGEMENT

Commercial insurance protection with normal deductibles, including general liability, property and workers compensation, is in place to limit the School's exposure from losses arising from theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There has been no significant reduction in coverages, nor have settlement amounts exceeded the School's coverages during the year ended June 30, 2021 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, 2021, management was not aware of any legal actions or proceedings pending against the school.

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

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

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

The School has construction commitments of \$55,600 as of June 30, 2021 related to the renovation of the new school facilities.

The COVID-19 pandemic has created economic disruptions throughout the country as of the date of this report. 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.

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

June 30, 2021

NOTE 8 - CONCENTRATION OF REVENUE SOURCES

The School's principal source of revenues is from the State of Florida passed through the District, which provided approximately 67% of total revenue for the year ended June 30, 2021. The following is a schedule of revenue sources and amounts for the year ended June 30, 2021.

<u>Sources</u>	<u>Amount</u>
School District of Polk County, Florida	
Base funding and supplemental academic instruction	\$ 550,118
Class size reduction	139,878
Capital outlay	55,418
Discretionary local effort	35,155
Discretionary millage compression allocation	34,383
Elementary and Secondary School Emergency Relief Fund	28,019
Additional allocation	24,998
Teacher salary increase allocation	18,977
Instructional materials allocation	8,821
Federal IDEA grant revenue	7,304
Safe schools	6,325
Total funds compression allocation	5,003
Reading allocation	4,875
Governor's Emergency Education Relief - Summer Recovery Program	2,695
Teacher supply program	2,549
Digital classroom allocation	139
Total revenue through the School District of Polk County, Florida	924,657
Other revenue:	
Preschool tuition and fees	211,447
Fundraisers	187,127
Aftercare fees	20,495
Parent support fees	15,268
Miscellaneous revenue	11,097
Donations	500
Total revenue	\$ 1,370,591



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REQUIRED SUPPLEMENTARY INFORMATION

MAGNOLIA MONTESSORI ACADEMY, INC.*A Charter School and Component Unit of the School District of Polk County, Florida***BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

For the year ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
RESOURCES (inflows):				
State and local sources:				
State and local sources passed through local school district	\$ 908,058	\$ 908,058	\$ 870,063	\$ (37,995)
Pre kindergarten and aftercare fees	218,500	218,500	231,942	13,442
Contributions and other local sources	70,680	70,680	213,992	143,312
Total state and local sources	1,197,238	1,197,238	1,315,997	118,759
Federal sources:				
Federal sources passed through local school district	-	-	38,018	38,018
Total federal sources	-	-	38,018	38,018
Total resources (inflows)	1,197,238	1,197,238	1,354,015	156,777
CHARGES TO APPROPRIATIONS (outflows):				
Current:				
Instruction	757,721	757,721	740,602	17,119
Student support services	7,500	7,500	8,699	(1,199)
Governing board	8,000	8,000	7,700	300
School administration	185,002	185,002	182,645	2,357
Operation of plant	228,825	228,825	213,724	15,101
Community services and other	-	-	14,217	(14,217)
Total charges to appropriations (outflows)	1,187,048	1,187,048	1,167,587	19,461
EXCESS (DEFICIENCY) OF RESOURCES OVER				
CHARGES TO APPROPRIATIONS	10,190	10,190	\$ 186,428	\$ 176,238
Budgeted excess inflows	(10,190)	(10,190)		
NET CHANGE IN FUND BALANCE	\$ -	\$ -		

MAGNOLIA MONTESSORI ACADEMY, INC.

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

NOTE TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

For the year ended June 30, 2021

Explanation of Differences between Budgetary Inflows and Outflows and GAAP

Revenues and Expenditures:

Resources/inflows of resources

Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule \$ 1,354,015

Differences - budget to GAAP:

School District of Polk County, Florida's administration fee budgeted as a reduction in budgetary inflows rather than as a budgetary outflow 16,576

Total revenue as reported on the statement of revenues, expenditures and change in fund balance \$ 1,370,591

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule \$ 1,167,587

Differences - budget to GAAP:

School District of Polk County, Florida's administration fee budgeted as a reduction in budgetary inflows rather than as a budgetary outflow 16,576

Capital outlay expenditures related to property acquisition, renovation and remodeling of the new school facilities and the related debt service expenditures are not budgeted due to perspective differences between the budgetary basis and GAAP basis.

Capital outlay expenditures 1,634,320

Debt service expenditures 17,343

Total expenditures as reported on the statement of revenues, expenditures and change in fund balance \$ 2,835,826



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OTHER REPORTS

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

To the Board of Directors
Magnolia Montessori Academy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Magnolia Montessori Academy, Inc. (the "School") a charter school and component unit of the School District of Polk County, Florida, as of and for the year ended June 30, 2021, 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 30, 2021.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as finding 2021-01.

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*

Magnolia Montessori Academy, Inc.'s Response to Findings

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

Purpose of this 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 30, 2021

MANAGEMENT LETTER

To the Board of Directors
Magnolia Montessori Academy, Inc.

Report on the Financial Statements

We have audited the financial statements of Magnolia Montessori Academy, Inc., (the "School"), a charter school and component unit of the School District of Polk County, Florida, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 30, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated September 30, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

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 Magnolia Montessori Academy, Inc. of District 53 Polk, School 8005.

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. We determined the School's financial condition is deteriorating. See finding 2021-02 in the accompanying schedule of findings and recommendations.

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 had no such recommendations.

MANAGEMENT LETTER
(concluded)

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 had no such findings.

Magnolia Montessori Academy, Inc.'s Response to Recommendations

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

Purpose of this Letter

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

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
September 30, 2021

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2021
MAGNOLIA MONTESSORI ACADEMY, INC.**

2021-01: Internal Control over Financial Reporting (material weakness in internal control)

Condition: During our audit, we noted that internal controls over key transaction cycles and over financial reporting were not adequately designed or not operating effectively.

- Internal controls were not sufficient to provide reasonable assurance that all payments were recorded, recorded to the correct account and that the collections listing agrees to the amounts deposited into the School depository accounts.
- Internal controls over year-end closing were not sufficient as we detected several material misstatements resulting in audit adjustments.
- Internal controls were not sufficient to provide reasonable assurance that all prekindergarten tuition is collected, utilization of prepayment tuition is properly captured and accounted for and no reconciliation between the student accounting system and the general ledger is being performed.
- Many transactions within the School's accounting information system were missing identifying fields such as transaction descriptions or customer and/or vendor names making it very difficult to determine the nature of the transactions.

Criteria: Section 1002.33(9)(j)(1), Florida Statutes requires the School to establish and maintain internal controls to ensure the reliability of financial reports and good internal controls are essential to provide reasonable assurance that the activity related to key transactions cycles are complete and accurately recorded in the School's accounting systems.

Cause: During the current year, the School not only provided the normal elementary and prekindergarten education classes but management also oversaw and managed the purchase, renovation and remodel of new school facilities which created a scarcity of time for which no additional staff members were able to cover to maintain the internal controls that were in place.

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

Recommendation: We recommend management properly design and implement internal controls over the key transaction cycles and over year-end financial reporting to provide reasonable assurance that the School's financial activity is accurately recorded in the accounting system. Common internal control categories include separation of duties; proper authorization and approval; reconciliation and review; and physical security of School assets. Specifically, we recommend:

- Encourage or require the use of online electronic payments that provide an IT dependent audit trail. For those cash and check payments made at the School, separation of incompatible duties is essential and reconciliation between the bank deposit and the separate list of payments should be performed as deposits are made.
- Utilize the IT dependent controls built into the student accounting system to ensure the reporting of accurate and complete prekindergarten tuition revenue and reconcile that activity with the general ledger monthly. Tuition prepayments should be recorded as an unearned revenue liability when collected and recognized as revenue in a future year.
- All available fields should be completed for each transaction within the School's accounting information system.

View of Responsible Official: See accompanying letter of management's response.

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2021
MAGNOLIA MONTESSORI ACADEMY, INC.**

2021-02: Deteriorating Financial Condition (*finding pursuant to Rule 10.854(1)(e)6.b, Rules of the Auditor General*)

Condition and Effect: On June 30, 2021, the School reported a deficit fund balance in the general fund of (\$122,501) for which sufficient resources are not available to cover the deficit as of that date.

Criteria: Sound financial management requires the School to maintain adequate levels of fund balance to mitigate current and future risks and to ensure continued financial viability of the School.

Cause: General fund liabilities exceeded assets on June 30, 2021 by \$122,501.

Recommendation: We recommend management take immediate action to rebuild the general fund balance to adequate levels.

View of Responsible Official: See accompanying letter of management's response.



09/30/2021

Management Response letter to the Recommendations for year ending June 30, 2021

2021-01 Internal Control

Management acknowledges the deficit in documenting donation payments due to a lack of staff. With the extraordinary requirements of buying, renovating, fundraising for and moving to a new location now complete, current staff is able to focus on established controls on a daily and weekly basis. Furthermore, with the additional funds per student and fixed costs. We will now be able to hire more office staff.

2021-02 Deteriorating Financial Condition

Our new school is appraised at 3.2 million dollars with a debt of less than half. We plan to draw off some equity to replace the fund balance we used in the last year. Also, our new school allows us to add approximately 100 more students without increasing our site costs. This will significantly allow us to add to our general fund each year.

Sincerely

Tammi Crotteau

Tammi Crotteau
Director of Finance