

MONTESORI ACADEMY OF EARLY ENRICHMENT, INC.

***BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION***

Year Ended June 30, 2007

Montessori Academy of Early Enrichment, Inc.

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Harrison Executive Centre - Suite 308
1930 Harrison Street
Hollywood, Florida 33020
Telephone (954) 922-8866
Fax (954) 922-8884
www.infantecocpa.com
iccpas@aol.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Montessori Academy of Early Enrichment, Inc.
Palm Springs, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Montessori Academy of Early Enrichment, Inc. ("the Academy"), a Charter School, as of and for the year ended June 30, 2007, which collectively comprises Montessori Academy of Early Enrichment, Inc.'s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Management of the Academy. 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for my opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Academy as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2007, on our consideration of Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

This report is intended solely for the information and use of the management, regulatory agencies of federal and state governments and the School Board of Palm Beach County. It is not intended to be and should not be used by anyone other than these specified parties.

Infante & Company

September 25, 2007
Hollywood, FL

**MONTESSORI ACADEMY FOR EARLY ENRICHMENT, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Our discussion and analysis of the Montessori Academy for Early Enrichment, Inc.'s ("Academy") financial program provides an overview of the Academy's financial activities for the year ended June 30, 2007.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with the Academy's financial statements which begin on page 6.

For financial statement purposes, the Academy is considered a component unit of the School District of Palm Beach County, which is a primary government entity for financial reporting. The Academy has included separate statements for the Balance Sheet of Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds. The Fund Financial Statements reflect financing activities of the Academy by providing information on inflows and outflows of spendable resources, while the Statement of Net Assets and the Statement of Activities provide information on the activities of the Academy.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Academy's financial position. Included in these statements are all assets and liabilities using the accrual method of accounting. All of the current year's revenues and expenses are recorded when received.

The Statement of Net Assets presents information on all of the Academy'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 Academy is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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.

Governmental Funds - All of the Academy's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Academy's governmental activities and the basic services it provides.

MONTESSORI ACADEMY FOR EARLY ENRICHMENT, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 12-17 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the Academy's financial position. The Academy's assets exceeded liabilities by \$5,817 at June 30, 2007.

NET ASSETS

Current Assets	<u>\$ 31,251</u>
Total Assets	<u>\$ 31,251</u>
 Capital Assets	 <u>\$ 53,943</u>
Total Capital Assets	 <u>\$ 53,943</u>
 Accounts Payable	 <u>\$ 79,377</u>
Total Liabilities	 <u>\$ 79,377</u>
 Investment in Capital Assets	 \$ 53,943
Unrestricted	(48,126)
Restricted	-
Total Net Assets	<u>\$ 5,817</u>

Revenues for governmental activities totaled \$568,972 for the year ended June 30, 2007. The main source of revenue was from the Florida Education Finance Program ("FEFP"). This revenue represented approximately 96% of total revenue.

Revenue Source	Amount	% of Total
FEFP	\$ 547,427	96%
Federal passed through local schools	10,225	2%
Other Revenue	<u>11,320</u>	<u>2%</u>
Total	<u>\$ 568,972</u>	<u>100%</u>

**MONTESSORI ACADEMY FOR EARLY ENRICHMENT, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Expenses for major functions of the Academy are shown in the following table:

<u>Expenses</u>	<u>Amount</u>	<u>% of Total</u>
Basic Instruction	\$ 256,651	47.0%
Instructional staff training	22,806	4.2%
Board	8,172	1.5%
General administration	4,166	0.8%
School administration	115,309	21.1%
Facilities acquisition & construction	64,462	11.8%
Fiscal services	14,848	2.7%
Food services	309	0.1%
Public transportation services	23,897	4.4%
Operating of plant	29,548	5.4%
Maintenance of plant	6,071	1.1%
Total	<u>\$ 546,239</u>	<u>100.0%</u>

CURRENT YEAR VS PRIOR YEAR RESULTS

The 2006-2007 school year was the second year that the Academy enrolled students. Total revenue was \$568,972 and \$344,187 for the years ended June 30, 2007 and 2006, respectively. The increase in revenue was the result of the Academy receiving more FEFP funds and federal grant funds. Total expenses were \$546,239 and \$421,891 for the years ended June 30, 2007 and 2006, respectively. The \$124,348 increase in expenses is primarily attributable to an increase in basic instruction expenses.

BUDGETARY HIGHLIGHTS

Actual revenue was \$5,154 more than budget because the Academy enrolled a higher number of students than they anticipated in the budget. The Academy received approximately \$6,166 more of FEFP revenue than budgeted.

Instruction and other functional expenses were more than the amount budgeted because the Academy budgeted expenses as though it was going to enroll fewer students than it actually did.

Total fund balance of the General Fund was a deficit of \$(48,126) at June 30, 2007.

PROSPECTS FOR THE FUTURE

The Academy would like to grow and it is actively searching for land to build a new facility which would enable it to accommodate more students.

Montessori Academy of Early Enrichment, Inc.
Statement of Net Assets
June 30, 2007

		Governmental Activities
ASSETS		
CURRENT ASSETS		
Cash	\$	11,515
Accounts receivable, net		10,507
Prepaid Expenses		1,082
Deposits		8,147
Total current assets		31,251
 CAPITAL ASSETS		
Capital Assets, Net of Accumulated Depreciation		
Furniture, fixtures and equipment		53,943
Total capital assets		53,943
Total assets	\$	85,194
 LIABILITES AND NET ASSETS		
LIABILITES		
Accounts payable & accrued expenses	\$	29,551
Advances payable		49,826
Total liabilities		79,377
 NET ASSETS		
Investment in Capital Assets		53,943
Unrestricted		(48,126)
Restricted		-
Total net assets		5,817
Total liabilities and net assets	\$	85,194

The accompanying notes are an integral part of this financial statement.

Montessori Academy of Early Enrichment, Inc.
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Basic instruction	\$ 256,651	\$ -	\$ 10,225	\$ -	\$ (246,426)
Instructional staff training	22,806	-	-	-	(22,806)
Board	8,172	-	-	-	(8,172)
General administration	4,166	-	-	-	(4,166)
School administration	115,309	-	-	-	(115,309)
Facilities acquisition & construction	64,462	-	-	-	(64,462)
Fiscal services	14,848	-	-	-	(14,848)
Food services	309	-	-	-	(309)
Public transportation services	23,897	-	-	-	(23,897)
Operation of plant	29,548	-	-	-	(29,548)
Maintenance of plant	6,071	-	-	-	(6,071)
Total governmental activities	\$ 546,239	\$ -	\$ 10,225	\$ -	\$ (536,014)

General Revenues	
State through local school district	547,427
Other Revenues	11,320
Total General Revenues	<u>558,747</u>
Change in net assets	22,733
Net assets, July 1, 2006	(16,916)
Net assets, June 30, 2007	<u>\$ 5,817</u>

The accompanying notes are an integral part of this financial statement.

Montessori Academy of Early Enrichment, Inc.
Balance Sheet - Governmental Funds
June 30, 2007

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 11,515	\$ -	\$ 11,515
Accounts receivable, net	10,507	-	10,507
Prepaid Expenses	1,082	-	1,082
Total Assets	<u>\$ 23,104</u>	<u>\$ -</u>	<u>\$ 23,104</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 29,551	\$ -	\$ 29,551
Advances payable	49,826	-	49,826
Total Liabilities	<u>79,377</u>	<u>-</u>	<u>79,377</u>
FUND BALANCES			
Unrestricted	(56,273)	-	(56,273)
Restricted	-	-	-
Total Fund Balances	<u>(56,273)</u>	<u>-</u>	<u>(56,273)</u>
Total Liabilities and Fund Balances	<u>\$ 23,104</u>	<u>\$ -</u>	<u>\$ 23,104</u>

The accompanying notes are an integral part of this financial statement.

Montessori Academy of Early Enrichment, Inc.
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007

Fund Balance - Governmental Funds	\$	(56,273)
Deposits are not available to pay for current period expenditures and, therefore, are not reported in the funds		8,147
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 75,138	
Less accumulated depreciation	<u>(21,195)</u>	
		<u>53,943</u>
Net Assets of Governmental Activities	\$	<u><u>5,817</u></u>

The accompanying notes are an integral part of this financial statement.

Montessori Academy of Early Enrichment, Inc.
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
REVENUES			
Federal passed through local school district	\$ -	\$ 10,225	\$ 10,225
State passed through local school district	547,427	-	547,427
Other revenue	<u>11,320</u>	<u>-</u>	<u>11,320</u>
TOTAL REVENUES	558,747	10,225	568,972
EXPENDITURES/EXPENSES			
Basic instruction	239,581	10,225	249,806
Instructional staff training	22,806	-	22,806
Board	8,172	-	8,172
General administration	4,166	-	4,166
School administration	115,309	-	115,309
Facilities acquisition & construction	64,462	-	64,462
Fiscal services	14,848	-	14,848
Food services	309	-	309
Public transportation services	23,897	-	23,897
Operation of plant	29,548	-	29,548
Maintenance of plant	6,071	-	6,071
Total expenditures	<u>529,169</u>	<u>10,225</u>	<u>539,394</u>
Revenues over expenses	29,578	-	29,578
Fund balances, July 1, 2006	<u>(77,704)</u>	<u>-</u>	<u>(77,704)</u>
Fund balances, June 30, 2007	<u>\$ (48,126)</u>	<u>\$ -</u>	<u>\$ (48,126)</u>

The accompanying notes are an integral part of this financial statement.

Montessori Academy of Early Enrichment, Inc.
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2007

Net Change in fund balances - governmental funds \$ 29,578

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$	4,448	
Less current year depreciation		<u>(11,293)</u>	<u>(6,845)</u>
Change in Net Assets of Governmental Activities	\$		<u><u>22,733</u></u>

The accompanying notes are an integral part of this financial statement.

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Montessori Academy of Early Enrichment, Inc. ("the Academy") operates as a Charter School pursuant to a Charter School Contract ("the Contract") with the School District of Palm Beach County, Florida ("the District"). Under the Contract, the Academy provides an education to pre-kindergarten to elementary to children who reside in Palm Beach County in and around the City of Palm Springs, Florida. The governing body of the Academy is the Board of Directors.

The Academy is a non-profit organization and has applied for tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

The general operating authority of the Academy is contained in Section 1002.33, Florida Statutes. The Academy's contract is effective through June 30, 2008. The charter may be renewed as provided in Section 1002.33, Florida Statutes, upon mutual consent of the parties and execution of a written renewal. 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 which case the District is required to notify the Academy 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.

Criteria for determining if other entities are potential component units which should be reported within the Academy'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 provide for identification of any entities for which the Academy is financially accountable and other organizations for which the nature and significance of their relationship with the Academy are such that exclusion would cause the Academy's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Academy. The Academy is a component unit of the District.

2. 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 Academy. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the Academy does not engage in any business type activities.

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

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, 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, or 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 Academy 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 Academy'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 Academy's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. 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, considered to be sixty days. 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.

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

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 is recorded as expenditures only when payment is due.

The Academy'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 Academy reports the following major governmental funds:

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

Special Revenue Fund – to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

4. Budgetary basis of accounting

The Academy's annual budgets are adopted for the entire operations for the Academy and may be amended by the Board of Directors (the "Board"). Since the budgetary basis differs from generally accepted accounting principles ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation to deficiency of revenues under expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

5. Cash

Cash is made up of cash on hand at the Academy and/or checking accounts held at a financial institution. The Academy has no cash equivalents.

6. Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$500 and an

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital assets (continued)

estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. For the year ended June 30, 2007, the Academy recorded net capital assets of \$53,943.

Property, plant and equipment of the Academy is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	20
Furniture, fixtures and equipment	5-10
Improvements other than buildings	3-5

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.

7. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District to the Academy pursuant to the funding provisions included in the Academy's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the Academy 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 (FDE) for funding through the Florida Education Finance Program (FEFP). Funding for the Academy is adjusted during the year to reflect revised calculations by the FDE under the FEFP and actual weighted FTE students reported by the Academy during designated FTE student survey periods.

The Academy 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 requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

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

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. 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.

NOTE B - CONCENTRATIONS

1. Revenue sources

As stated in Note A-7, the Academy receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
Federal grants through local district	\$ 10,225
State funding through local district	547,427
Other	<u>11,320</u>
	<u>\$ 568,972</u>

2. Concentration of cash deposits

The Academy maintains cash deposits at a bank in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of June 30, 2007, there were no uninsured deposit balances.

NOTE C - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance at June 30, 2007</u>
Capital assets depreciated:				
Leasehold improvements	\$ 32,971	\$ -	\$ -	\$ 32,971
Furniture, fixtures and equipment	29,169	4,447	-	33,616
Improvements other than buildings	8,550	-	-	8,550
Total assets depreciated	<u>\$ 70,690</u>	<u>\$ 4,447</u>	<u>\$ -</u>	<u>\$ 75,137</u>
Less Accumulated Depreciation	<u>\$ 9,902</u>	<u>\$ 11,292</u>	<u>\$ -</u>	<u>\$ 21,194</u>
Capital assets, net				<u>\$ 53,943</u>

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE C – CAPITAL ASSETS (continued)

Depreciation expense of \$11,292 was charged the basic instruction function for the year ended June 30, 2007.

NOTE D - COMMITMENTS AND CONTINGENCIES

The Academy leased property during the year for its administrative and classroom space under a non-cancelable operating lease that expires in July 2008. The Academy also leases a copier under an operating lease that expires in June 2010. Rental expenses for the year ended June 30, 2007 were approximately \$70,000.

Future minimum lease payments required under the lease, assuming the options are exercised, are approximately as follows:

June 30:

2008	68,857
2009	8,778
2010	4,297

NOTE E - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Academy purchases commercial insurance for all material risks of loss to which the Academy is exposed, including general liability, property and workers compensation.

NOTE F – RELATED PARTY TRANSACTIONS

The principal has advanced the Academy \$49,826 for expenditures related to leasehold improvements and furniture and equipment. The balance is shown as an advance payable at June 30, 2007.

NOTE G – CONTINGENCIES

The Academy, because of its student population of pre-kindergarten students, may be required to pay back the Florida Department of Education up to approximately \$80,000 from the Start-Up Grant funds received during the year ended June 30, 2006. The Academy hired an attorney to defend its position that it does not owe back the funds to the Florida Department of Education.

REQUIRED SUPPLEMENTAL INFORMATION

Montessori Academy of Early Enrichment, Inc.
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

	Governmental Funds				Special Revenue Fund			Totals		
	Budget	General Fund	Variance	Budget	Budget	Fund	Variance	Budget	Funds	Variance
Revenues										
Federal passed through local school district	\$ -	\$ -	\$ -	\$ -	\$ 10,225	\$ (10,225)	\$ -	\$ -	\$ 10,225	\$ (10,225)
State passed through local school district	553,593	547,427	6,166	-	-	-	-	553,593	547,427	6,166
Other revenue	-	11,320	(11,320)	-	-	-	-	-	11,320	(11,320)
Total revenues	553,593	558,747	(5,154)	-	10,225	(10,225)	-	553,593	568,972	(15,379)
Expenses										
Basic instruction	236,266	239,581	(3,315)	-	10,225	(226,041)	-	236,266	249,806	(13,540)
Pupil personnel services	12,500	-	12,500	-	-	(12,500)	-	12,500	-	12,500
Instructional staff training	23,500	22,806	694	-	-	(23,500)	-	23,500	22,806	694
Board	10,050	8,172	1,878	-	-	(10,050)	-	10,050	8,172	1,878
General administration	20,950	4,166	16,784	-	-	(20,950)	-	20,950	4,166	16,784
School administration	115,519	115,309	210	-	-	(115,519)	-	115,519	115,309	210
Facilities acquisition & construction	51,600	64,462	(12,862)	-	-	(51,600)	-	51,600	64,462	(12,862)
Fiscal services	21,540	14,848	6,692	-	-	(21,540)	-	21,540	14,848	6,692
Central services	1,700	-	1,700	-	-	(1,700)	-	1,700	-	1,700
Food services	-	309	(309)	-	-	-	-	-	309	(309)
Public transportation services	-	23,897	(23,897)	-	-	-	-	-	23,897	(23,897)
Operation of plant	27,124	29,548	(2,424)	-	-	(27,124)	-	27,124	29,548	(2,424)
Maintenance of plant	1,000	6,071	(5,071)	-	-	(1,000)	-	1,000	6,071	(5,071)
Total expenses	521,749	529,169	(9,298)	-	10,225	(511,524)	-	521,749	539,394	(19,523)
Revenues over expenditures	\$ 31,844	29,578	4,144	-	-	\$ 501,299	-	31,844	29,578	4,144
Fund Balance, July 1, 2006		(77,704)							(77,704)	
Fund Balance, June 30, 2007		\$ (48,126)							\$ (48,126)	

The accompanying notes are an integral part of this financial statement.



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- American Institute of CPAs
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 - Tax Division
 - Personal Financial Planning Section
- Florida Institute of CPAs
- National Associated Certified Public Accounting Firms

Harrison Executive Centre - Suite 308
1930 Harrison Street
Hollywood, Florida 33020
Telephone (954) 922-8866
Fax (954) 922-8884
www.infantecocpa.com
iccpas@aol.com

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board Members of
Montessori Academy of Early Enrichment, Inc.
Palm Springs, Florida

We have audited the basic financial statements of the Montessori Academy of Early Enrichment, Inc. ("the Academy") as of and for the year ended June 30, 2007, and have issued our report thereon dated September 25, 2007. 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 of America.

Compliance - As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting - In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we have communicated other

observations involving internal control over financial reporting to the Management of the Academy in a separate letter dated September 25, 2007.

This report is intended solely for the information and use of the management, regulatory agencies of federal and state governments and the School Board of Palm Beach County. It is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Company

September 25, 2007
Hollywood, Florida



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iccpas@aol.com

MANAGEMENT LETTER

To the Board of Directors
Montessori Academy of Early Enrichment, Inc.
Palm Springs, Florida

We have audited the basic financial statements of the Montessori Academy of Early Enrichment, Inc. as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated September 25, 2007.

We issued our Report on Compliance and on Internal Control Over Financial Reporting dated September 25, 2007. Disclosures in that report, if any, should be considered in conjunction with this management letter.

The discussion required by the rules of the Auditor General follows:

1. Recommendations were made and violations were reported in the preceding annual financial audit report. Comment 1 and 4 from the prior year audit were corrected. Comments 2 and 3 from the prior year are repeat comments.
2. There were no violations of laws, rules, regulations, and contractual provisions that: (1) have occurred, or are likely to have occurred; (2) were discovered within the scope of the financial audit; and (3) may or may not have materially affected the financial statements.
3. Please see the attached recommendations to improve the charter school's present financial management, accounting procedures and internal controls.
4. There were no illegal or improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
5. There were no matters requiring correction which may or may not materially affect the financial statements reported on, including, but not limited to:
 - Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
 - Failures to properly record financial transactions.
 - Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

6. The official title of the Academy is the *Montessori Academy of Early Enrichment, Inc.*, which is a component unit of the School District of Palm Beach County, which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Act, and Section 228.056, Florida Statutes.
7. In connection with our audit, we considered the prior year (2006) auditor's concerns as to "the Academy's deteriorating financial condition and limited access to outside financing raise substantial doubt about its ability to continue as a going concern." We have determined that during the current fiscal year, the Academy has increased its student enrollment during the second half of 2007, has reversed its net asset deficit from \$(16,916) to a positive \$5,817 and reduced its total liabilities from \$90,718 to \$79,377. Therefore, we have determined that Montessori Academy of Early Enrichment, Inc. did not meet the condition described in Section 218.503(1) and, therefore, no financial emergency will be reported.

This management letter is intended for the information of the Montessori Academy of Early Enrichment, Inc.'s management and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Infante & Company

September 25, 2007
Hollywood, Florida

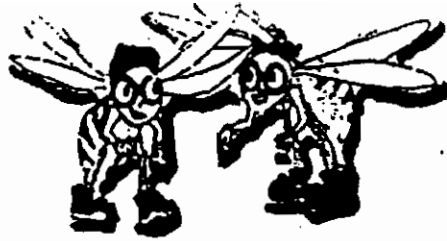
Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls

07-1 Charter Agreement

We noted that the Academy did not file its required financial reports to the School district on a timely basis. This is a requirement by the Charter agreement and can be one of the grounds for non renewal of the Academy's charter. This is a repeat comment from the prior year audit.

07-2 Property & Equipment

We noted that the Academy does not maintain a physical inventory of property and equipment owned by the Academy and all equipment were not tagged. We recommend that the Academy perform a physical inventory of the property and equipment at the Academy. This will help improve the tracking of assets for disposal and impairment purposes. This is a repeat comment from the prior year audit.



The Montessori Academy of Early Enrichment, Inc.
Busy Bees Building Brighter Futures

2925 10th Ave. N. Suite 108
Palm Sprinas. FL 33461

Phone: (561) 649-0004
Fax: (561) 649-0964

September 28, 2007

To whom it may concern:

The following is our response to the management letter dated September 25, 2007, and each response is numbered consistently with the numbers assigned in the management letter:

07-1 Charter Agreement

We will establish better controls as to our filing the required financial reports to the School district on a timely basis.

07-2 Property & Equipment

We will implement a procedure to take a physical inventory of all fixed assets twice a year and we will place tags on each fixed asset. We will also maintain written records describing which fixed assets are located in the various areas of the Academy.

Principal
Montessori Academy of Early Enrichment, Inc.