

***MONTESORI ACADEMY OF EARLY ENRICHMENT, INC.***

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

***Year Ended June 30, 2009***

**Montessori Academy of Early Enrichment, Inc.**

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### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Montessori Academy of Early Enrichment, Inc.  
Lake Worth, 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, 2009, 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, 2009, 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 28, 2009, 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 inquiries 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, Board of Directors, 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 28, 2009  
Hollywood, Florida

**MONTESSORI ACADEMY FOR EARLY ENRICHMENT, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2009**

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, 2009.

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, 2009**

**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 \$350,740 at June 30, 2009.

**NET ASSETS**

|                                  |  |                      |
|----------------------------------|--|----------------------|
| Current Assets                   |  | <u>\$ 284,145</u>    |
| Total Assets                     |  | <u>\$ 284,145</u>    |
| <br>Capital Assets               |  | <br><u>\$ 66,595</u> |
| Total Capital Assets             |  | <u>\$ 66,595</u>     |
| <br>Accounts Payable             |  | <br><u>\$ -</u>      |
| Total Liabilities                |  | <u>\$ -</u>          |
| <br>Investment in Capital Assets |  | <br>\$ 66,595        |
| Unrestricted                     |  | 284,145              |
| Restricted                       |  | <u>-</u>             |
| Total Net Assets                 |  | <u>\$ 350,740</u>    |

Revenues for governmental activities totaled \$1,266,398 for the year ended June 30, 2009. The main source of revenue was from the Florida Education Finance Program ("FEFP"). This revenue represented approximately 81% of total revenue.

| Revenue Source               | Amount              | % of Total  |
|------------------------------|---------------------|-------------|
| State passed through local   | \$ 1,077,177        | 85%         |
| Federal passed through local | 163,734             | 12%         |
| Other Revenue                | <u>25,487</u>       | <u>3%</u>   |
| Total                        | <u>\$ 1,266,398</u> | <u>100%</u> |

**MONTESSORI ACADEMY FOR EARLY ENRICHMENT, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**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> |
|--|-------------------|-------------------|
| Instruction                            | \$ 549,746        | 55.2%             |
| Parental liason                        | 21,780            | 2.2%              |
| Instruction and curriculum development | 38,907            | 3.9%              |
| Instructional staff training           | 14,676            | 1.5%              |
| Board                                  | 28,832            | 2.9%              |
| General administration                 | 1,758             | 0.2%              |
| School administration                  | 117,515           | 11.8%             |
| Facilities acquisition & construction  | 134,674           | 13.5%             |
| Fiscal services                        | 21,776            | 2.2%              |
| Food services                          | 400               | 0.0%              |
| Public transporatation services        | 41,123            | 4.1%              |
| Operation of plant                     | 23,459            | 2.4%              |
| Maintenance of plant                   | 1,859             | 0.2%              |
| Total                                  | <u>\$ 996,505</u> | <u>100.0%</u>     |

**CURRENT YEAR VS PRIOR YEAR RESULTS**

The 2008-2009 school year was the fourth year that the Academy enrolled students. Total revenue was \$1,266,398 and \$773,882 for the years ended June 30, 2009 and 2008, respectively. The increase in revenue was the result of the Academy receiving a significant amount more of FEFP and IDEA funds in the current year. Total expenses were \$996,505 and \$698,792 for the years ended June 30, 2009 and 2008, respectively. The \$297,713 increase in expenses is primarily attributable to an increase in salaries in the instruction and administration functions.

**BUDGETARY HIGHLIGHTS**

Actual revenue was \$1,966 more than budget because the Academy did not anticipate receiving additional funds for aftercare and other miscellaneous revenue.

Instruction and other functional expenses were more than the amount budgeted because the Academy didn't budget for the upfront costs associated with the portable classrooms.

Total fund balance of the General Fund was \$277,045 at June 30, 2009.

**PROSPECTS FOR THE FUTURE**

The Academy is actively searching for a new facility which can accommodate more students. The Academy is actively marketing to increase student attendance.

**Montessori Academy of Early Enrichment, Inc.**  
**Statement of Net Assets**  
**June 30, 2009**

|   |    | Governmental<br>Activities |
|---|----|----------------------------|
| <b>ASSETS</b>                                   |    |                            |
| <b>CURRENT ASSETS</b>                           |    |                            |
| Cash  | \$ | 259,220                    |
| Accounts Receivable                             |    | 6,137                      |
| Prepaid Expenses                                |    | 11,688                     |
| Deposits  |    | 7,100                      |
| Total current assets                            |    | 284,145                    |
| <b>CAPITAL ASSETS</b>                           |    |                            |
| Capital Assets, Net of Accumulated Depreciation |    |                            |
| Furniture, fixtures and equipment               |    | 66,595                     |
| Total capital assets                            |    | 66,595                     |
| Total assets                                    | \$ | 350,740                    |
| <b>LIABILITES AND NET ASSETS</b>                |    |                            |
| <b>LIABILITES</b>                               |    |                            |
| Accounts payable & accrued expenses             | \$ | -                          |
| Total liabilities                               |    | -                          |
| <b>NET ASSETS</b>                               |    |                            |
| Investment in Capital Assets                    |    | 66,595                     |
| Unrestricted                                    |    | 284,145                    |
| Restricted                                      |    | -                          |
| Total net assets                                |    | 350,740                    |
| Total liabilities and net assets                | \$ | 350,740                    |

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, 2009**

| Functions/Programs                     | Expenses          | Program Revenues           |  |  | Net (Expense)<br>Revenue<br>and Changes in<br>Net Assets |
|--|-------------------|----------------------------|--|--|--|
|  |                   | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |
| Governmental activities                |                   |                            |  |  |  |
| Instruction                            | \$ 549,746        | \$ 21,051                  | \$ 150,129                               | \$ -                                   | \$ (378,566)   |
| Parental liason                        | 21,780            | -                          | 13,605                                   | -                                      | (8,175)  |
| Instruction and curriculum development | 38,907            | -                          | -  | -                                      | (38,907)   |
| Instructional staff training           | 14,676            | -                          | -  | -                                      | (14,676)   |
| Board                                  | 28,832            | -                          | -  | -                                      | (28,832)   |
| General administration                 | 1,758             | -                          | -  | -                                      | (1,758)  |
| School administration                  | 117,515           | -                          | -  | -                                      | (117,515)  |
| Facilities acquisition & construction  | 134,674           | -                          | -  | 51,565                                 | (83,109)   |
| Fiscal services                        | 21,776            | -                          | -  | -                                      | (21,776)   |
| Food services                          | 400               | -                          | -  | -                                      | (400)  |
| Public transporatation services        | 41,123            | -                          | -  | -                                      | (41,123)   |
| Operation of plant                     | 23,459            | -                          | -  | -                                      | (23,459)   |
| Maintenance of plant                   | 1,859             | -                          | -  | -                                      | (1,859)  |
| Total governmental activities          | <u>\$ 996,505</u> | <u>\$ 21,051</u>           | <u>\$ 163,734</u>                        | <u>\$ 51,565</u>                       | <u>(760,155)</u>   |
| General Revenues                       |                   |                            |  |  |  |
| State through local school district    |                   |                            |  |  | 1,025,612  |
| Other Revenues                         |                   |                            |  |  | <u>4,436</u>   |
| Total General Revenues                 |                   |                            |  |  | <u>1,030,048</u>   |
| Change in net assets                   |                   |                            |  |  | 269,893  |
| Net assets, July 1, 2008               |                   |                            |  |  | <u>80,847</u>  |
| Net assets, June 30, 2009              |                   |                            |  |  | <u>\$ 350,740</u>  |

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

**Montessori Academy of Early Enrichment, Inc.**  
**Balance Sheet - Governmental Funds**  
**June 30, 2009**

|                                       | General<br>Fund | Special<br>Revenue<br>Fund | Total      |
|---------------------------------------|-----------------|----------------------------|------------|
| <b>ASSETS</b>                         |                 |                            |            |
| Cash                                  | \$ 259,220      | \$ -                       | \$ 259,220 |
| Receivables                           | 6,137           | -                          | 6,137      |
| Prepaid Expenses                      | 11,688          | -                          | 11,688     |
| Total Assets                          | \$ 277,045      | \$ -                       | \$ 277,045 |
| <b>LIABILITES</b>                     |                 |                            |            |
| Accounts payable and accrued expenses | \$ -            | \$ -                       | \$ -       |
| Total Liabilities                     | -               | -                          | -          |
| <b>FUND BALANCES</b>                  |                 |                            |            |
| Unrestricted                          | 277,045         | -                          | 277,045    |
| Restricted                            | -               | -                          | -          |
| Total Fund Balances                   | 277,045         | -                          | 277,045    |
| Total Liabilities and Fund Balances   | \$ 277,045      | \$ -                       | \$ 277,045 |

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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, 2009**

|   |    |                       |
|---|----|-----------------------|
| Fund Balance - Governmental Funds   | \$ | 277,045               |
|   |    |                       |
| Deposits are not available to pay for current period expenditures and, therefore, are not reported in the funds                     |    | 7,100                 |
|   |    |                       |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds |    |                       |
|   |    |                       |
| Governmental capital assets   | \$ | 93,029                |
| Less accumulated depreciation   |    | <u>(26,434)</u>       |
|   |    | <u>66,595</u>         |
| Net Assets of Governmental Activites  | \$ | <u><u>350,740</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, 2009**

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Total</u>      |
|--|-------------------------|-------------------------------------|-------------------|
| <b>REVENUES</b>                              |                         |                                     |                   |
| Federal passed through local school district | \$ -                    | \$ 163,734                          | \$ 163,734        |
| State passed through local school district   | 1,025,612               | 51,565                              | 1,077,177         |
| Other revenue                                | <u>25,487</u>           | <u>-</u>                            | <u>25,487</u>     |
| <b>TOTAL REVENUES</b>                        | 1,051,099               | 215,299                             | 1,266,398         |
| <b>EXPENDITURES/EXPENSES</b>                 |                         |                                     |                   |
| Instruction                                  | 392,069                 | 150,129                             | 542,198           |
| Parental liason                              | 8,175                   | 13,605                              | 21,780            |
| Instruction and curriculum development       | 38,907                  | -                                   | 38,907            |
| Instructional staff training                 | 14,676                  | -                                   | 14,676            |
| Board  | 28,832                  | -                                   | 28,832            |
| General administration                       | 1,758                   | -                                   | 1,758             |
| School administration                        | 117,515                 | -                                   | 117,515           |
| Facilities acquisition & construction        | 100,747                 | 51,565                              | 152,312           |
| Fiscal services                              | 21,776                  | -                                   | 21,776            |
| Food services                                | 400                     | -                                   | 400               |
| Public transporatation services              | 41,123                  | -                                   | 41,123            |
| Operation of plant                           | 23,459                  | -                                   | 23,459            |
| Maintenance of plant                         | 1,859                   | -                                   | 1,859             |
| Total expenditures                           | <u>791,296</u>          | <u>215,299</u>                      | <u>1,006,595</u>  |
| Revenues over expenses                       | 259,803                 | -                                   | 259,803           |
| Fund balances, July 1, 2008                  | <u>17,242</u>           | <u>-</u>                            | <u>17,242</u>     |
| Fund balances, June 30, 2009                 | <u>\$ 277,045</u>       | <u>\$ -</u>                         | <u>\$ 277,045</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, 2009**

|  |    |         |
|--|----|---------|
| Net Change in fund balances - governmental funds | \$ | 259,803 |
|--|----|---------|

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

|   |  |         |
|---|--|---------|
| Deposits are not available to pay for current period expenditures and, therefore, are not reported in the funds |  | (3,208) |
|---|--|---------|

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                 | \$ | 25,312          |                       |
| Less current year depreciation                  |    | <u>(12,014)</u> | <u>13,298</u>         |
| Change in Net Assets of Governmental Activities | \$ |                 | <u><u>269,893</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, 2009**

**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 Lake Worth, 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. Effective July 1, 2008, the Academy’s charter was renewed for 5 years through June 30, 2013. The future charters 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, 2009**

**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, 2009**

**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 over 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 and savings 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, 2009**

**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, 2009, the Academy recorded net capital assets of \$65,595.

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

| <u>Asset Type</u>                 | <u>Estimated<br/>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, 2009**

**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 | \$ 163,734         |
| State funding through local district  | 1,077,177          |
| Other                                 | <u>25,487</u>      |
|                                       | <u>\$1,266,398</u> |

2. Concentration of cash deposits

The Academy maintains cash deposits at two banks in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation up to \$250,000 through December 31, 2013. As of June 30, 2009, there were no uninsured deposit balances.

**NOTE C – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009 was as follows:

|                                   | Balance at<br>June 30,<br><u>2008</u> | <u>Additions</u> | Adjustments<br>and<br><u>Deletions</u> | Balance at<br>June 30,<br><u>2009</u> |
|-----------------------------------|---------------------------------------|------------------|--|---------------------------------------|
| Capital assets depreciated:       |                                       |                  |  |                                       |
| Leasehold improvements            | \$ 32,971                             | \$ -             | \$ 32,971                              | \$ -                                  |
| Furniture, fixtures and equipment | 47,642                                | -                | 9,187                                  | 38,455                                |
| Improvements other than buildings | <u>8,550</u>                          | <u>54,573</u>    | <u>8,550</u>                           | <u>54,573</u>                         |
| Total assets depreciated          | <u>\$ 89,163</u>                      | <u>\$ 54,573</u> | <u>\$ 50,708</u>                       | <u>\$ 93,028</u>                      |
| Less Accumulated Depreciation     | <u>\$ 35,705</u>                      | <u>\$ 12,014</u> | <u>\$ 21,286</u>                       | <u>\$ 26,433</u>                      |
| Capital assets, net               |                                       |                  |  | <u>\$ 66,595</u>                      |

**MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE C – CAPITAL ASSETS (continued)**

Depreciation expense of \$12,014 was charged between the instruction and school administration functions for the year ended June 30, 2009.

**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 July 31, 2010 with a one year renewal option. The Academy also leases equipment and portable classroom space. Rental expense for the year ended June 30, 2009 was \$101,177.

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

June 30:

|      |        |
|------|--------|
| 2010 | 51,548 |
| 2011 | 1,904  |
| 2012 | 159    |

**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.

**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, 2009**  
**(Unaudited)**

|  | Governmental Funds              |                   |                 |                                 |                            |                | Totals                          |                       |                 |
|--|---------------------------------|-------------------|-----------------|---------------------------------|----------------------------|----------------|---------------------------------|-----------------------|-----------------|
|  | Original<br>and Final<br>Budget | General<br>Fund   | Variance        | Original<br>and Final<br>Budget | Special<br>Revenue<br>Fund | Variance       | Original<br>and Final<br>Budget | Governmental<br>Funds | Variance        |
| <b>Revenues</b>                              |                                 |                   |                 |                                 |                            |                |                                 |                       |                 |
| Federal passed through local school district | \$ -                            | \$ -              | \$ -            | \$ 163,379                      | \$ 163,734                 | \$ (355)       | \$ 163,379                      | \$ 163,734            | \$ (355)        |
| State passed through local school district   | 1,039,414                       | 1,025,612         | 13,802          | 46,109                          | 51,565                     | (5,456)        | 1,085,523                       | 1,077,177             | 8,346           |
| Other revenue                                | 15,500                          | 25,487            | (9,987)         | -                               | -                          | -              | 15,500                          | 25,487                | (9,987)         |
| <b>Total revenues</b>                        | <b>1,054,914</b>                | <b>1,051,099</b>  | <b>3,815</b>    | <b>209,488</b>                  | <b>215,299</b>             | <b>(5,811)</b> | <b>1,264,402</b>                | <b>1,266,398</b>      | <b>(1,996)</b>  |
| <b>Expenses</b>                              |                                 |                   |                 |                                 |                            |                |                                 |                       |                 |
| Instruction                                  | 361,945                         | 392,069           | (30,124)        | 150,129                         | 150,129                    | -              | 512,074                         | 542,198               | (30,124)        |
| Parental liason                              | 12,485                          | 8,175             | 4,310           | 13,250                          | 13,605                     | (355)          | 25,735                          | 21,780                | 3,955           |
| Instruction and curriculum development       | 50,437                          | 38,907            | 11,530          | -                               | -                          | -              | 50,437                          | 38,907                | 11,530          |
| Instructional staff training                 | 15,883                          | 14,676            | 1,207           | -                               | -                          | -              | 15,883                          | 14,676                | 1,207           |
| Board  | 22,238                          | 28,832            | (6,594)         | -                               | -                          | -              | 22,238                          | 28,832                | (6,594)         |
| General administration                       | -                               | 1,758             | -               | -                               | -                          | -              | -                               | 1,758                 | (1,758)         |
| School administration                        | 139,287                         | 117,515           | 21,772          | -                               | -                          | -              | 139,287                         | 117,515               | 21,772          |
| Facilities acquisition & construction        | 67,737                          | 100,747           | (33,010)        | 46,109                          | 51,565                     | (5,456)        | 113,846                         | 152,312               | (38,466)        |
| Fiscal services                              | 20,600                          | 21,776            | (1,176)         | -                               | -                          | -              | 20,600                          | 21,776                | (1,176)         |
| Food services                                | -                               | 400               | (400)           | -                               | -                          | -              | -                               | 400                   | (400)           |
| Public transportation services               | 43,366                          | 41,123            | 2,243           | -                               | -                          | -              | 43,366                          | 41,123                | 2,243           |
| Operation of plant                           | 14,900                          | 23,459            | (8,559)         | -                               | -                          | -              | 14,900                          | 23,459                | (8,559)         |
| Maintenance of plant                         | 4,000                           | 1,859             | 2,141           | -                               | -                          | -              | 4,000                           | 1,859                 | 2,141           |
| <b>Total expenses</b>                        | <b>752,878</b>                  | <b>791,296</b>    | <b>(36,660)</b> | <b>209,488</b>                  | <b>215,299</b>             | <b>(5,811)</b> | <b>962,366</b>                  | <b>1,006,595</b>      | <b>(44,229)</b> |
| <b>Revenues over expenditures</b>            | <b>\$ 302,036</b>               | <b>259,803</b>    | <b>40,475</b>   | <b>-</b>                        | <b>-</b>                   | <b>\$ -</b>    | <b>302,036</b>                  | <b>259,803</b>        | <b>42,233</b>   |
| Fund Balance, July 1, 2008                   |                                 | 17,242            |                 |                                 | -                          |                |                                 | 17,242                |                 |
| Fund Balance, June 30, 2009                  |                                 | <u>\$ 277,045</u> |                 |                                 | <u>\$ -</u>                |                |                                 | <u>\$ 277,045</u>     |                 |

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



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

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**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 Members of  
Montessori Academy of Early Enrichment, Inc.  
Lake Worth, 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, 2009, and have issued our report thereon dated September 28, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

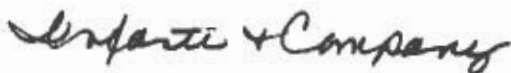
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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 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*.

We noted certain matters that we reported to management of the Academy, in a separate letter dated September 28, 2009.

This report is intended solely for the information and use of the management, Board of Directors, 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.



September 28, 2009  
Hollywood, Florida



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### MANAGEMENT LETTER

To the Board of Directors  
Montessori Academy of Early Enrichment, Inc.  
Lake Worth, 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, 2009, and have issued our report thereon dated September 28, 2009.

We issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters dated September 28, 2009. Disclosures in that report, if any, should be considered in conjunction with this management letter.

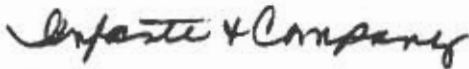
The discussion required by the rules of the Auditor General follows:

1. Recommendations were made and violations were reported in the preceding annual financial audit report. Comment 08-1 from the prior year audit was corrected. The fixed assets schedule is now equal to the general ledger of the Academy. Comment 09-2 is a repeat comment from the prior year.
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 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.



September 28, 2009  
Hollywood, Florida

## **Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls**

### 09-1 Depreciable Life of Improvements Other than Buildings

The Academy made significant improvements to premises that it's renting in order to house portable classrooms. During the year, the Academy began depreciating these costs, but there was no depreciable life assigned to them. An estimate was recorded for the year ended June 30, 2009. While depreciation is an estimate, there should be a certain life assigned to the asset. We recommend that the Academy review its accounting procedures manual and adjust depreciation in the next fiscal year.

### 09-2 Large variances in budget versus actual revenue and expenses by function

We noted that in revenue and certain expense functions, there were large variances between amounts budgeted versus actual revenue and expenses incurred. We recommend that the Board of Directors review the budget versus actual reports and if large variances are noted, an adjustment to the budget should be made in order to better forecast the remainder of the year.



September 29, 2009

To School District of Palm Beach County:

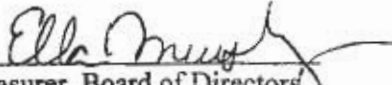
The following is our response to the management letter dated September 28, 2009, and each response is numbered consistently with the numbers assigned in the management letter:

09-1 Depreciable Life of Improvements Other than Buildings

We will review the accounting procedures manual and assign the proper life to the improvement costs. Although the actual depreciation based on a certain life is not materially different than what we recorded, we strive to ensure we have accurate schedules.

09-2 Large variances in budget versus actual revenue and expenses by function

We currently review the budget compared to actual results on a monthly basis. If the variances are deemed permanent and material, we will adjust our budget for the remainder of the year. In reviewing our actual to budget comparison for the year, in hindsight, we should have formally adjusted our budget and will do so on a timely basis in the future.

  
Treasurer, Board of Directors  
(Board chair is unavailable)  
Montessori Academy of Early Enrichment, Inc.