

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

A Charter School and Component Unit of the
District School Board of Palm Beach County, Florida

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2010

King & Walker, CPAs, PL

Certified Public Accountants

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MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.

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KING & WALKER, CPAs, PL
Certified Public Accountants

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**Independent Auditor's Report on Basic Financial Statements and
Required Supplementary Information**

To the Board of Directors Montessori Academy of Early Enrichment, Inc.,
a Charter School and Component Unit of the
District School Board of Palm Beach County, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Montessori Academy of Early Enrichment, Inc. ("School"), a charter school and component unit of the District School Board of Palm Beach County, Florida, as of and for the fiscal year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Montessori Academy of Early Enrichment, Inc. as of June 30, 2010, and the respective changes in financial position thereof for the fiscal 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 a report dated September 29, 2010, on our consideration of the Montessori Academy of Early Enrichment Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, and other guidelines included under the heading ***Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards***. 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 Management's Discussion and Analysis and the Budgetary Comparison Schedule are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Respectfully submitted,

King & Walker, CPAs

September 29, 2010
Lutz, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Montessori Academy of Early Enrichment, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2010.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 8 through 21.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2010, the School's revenues increased by \$260,197, due to increased FTE enrollment.
- Net Assets increased by \$207,826 with the schools' Invested in Capital Assets increasing by \$216,921. This is due to the school's infrastructure investment in preparation for current and future growth.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets and the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

Fund Financial Statements

Fund financial statements are one of the components of the basic 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates two funds: a General Fund and a Capital Projects Fund. The School has elected to show each fund as a major fund.

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of June 30, 2009, and June 30, 2010:

	Net Assets, End of Year		
	Governmental Activities		
	6-30-09	6-3010	Increase (Decrease)
ASSETS			
Current and Other Assets	\$ 284,145	\$ 338,264	\$ 54,119
Capital Assets, net	66,595	283,516	216,921
Total Assets	<u>350,740</u>	<u>621,780</u>	<u>271,040</u>
LIABILITIES			
Current Liabilities	-	63,214	63,214
Total Liabilities	<u>-</u>	<u>63,214</u>	<u>63,214</u>
NET ASSETS			
Invested in Capital Assets, net of Debt	66,595	283,516	216,921
Unrestricted	<u>284,145</u>	<u>275,050</u>	<u>(9,095)</u>
Total Net Assets	<u>350,740</u>	<u>558,566</u>	<u>207,826</u>
Total Liabilities and Net Assets	<u>\$ 350,740</u>	<u>\$ 621,780</u>	<u>\$ 271,040</u>

Total Assets increased due to the schools' investment in infrastructure to prepare for future growth. Increased capital spending was necessary to sustain the planned increase in enrollment. Liabilities increased as part of the schools growth and required increased spending. Net Assets increased 59% or \$207,826 due to management's attention to oversight in the administration of budgetary controls.

The key elements of the changes in the School's net assets for the fiscal years ended June 30, 2009, and June 30, 2010 are as follows:

	Operating Results for the Year		
	Governmental Activities		
	6-30-09	6-30-10	Increase (Decrease)
Revenues:			
Federal through Local	\$ 163,734	\$ 166,496	\$ 2,762
State and Local Sources	1,077,177	1,337,107	259,930
Contributions and Other	25,487	22,992	(2,495)
Total Revenues	<u>1,266,398</u>	<u>1,526,595</u>	<u>260,197</u>
Expenses:			
Instruction	549,746	739,577	189,831
Pupil Personnel Services	21,780	27,188	5,408
Instructional Media Services	-	3,941	3,941
Instruction & Curriculum Development	38,907	51,725	12,818
Instructional Staff Training	14,676	35,218	20,542
Board	28,832	29,480	648
General Administration	1,758	614	(1,144)
School Administration	117,515	90,259	(27,256)
Facilities Acquisition	134,674	92,634	(42,040)
Fiscal Services	21,776	69,574	47,798
Food Services	400	166	(234)
Pupil Transportation	41,123	46,068	4,945
Operation of Plant	23,459	59,529	36,070
Maintenance of Plant	1,859	2,420	561
Community Service	-	13,983	13,983
Loss on Disposition of Assets	-	39,109	39,109
Unallocated Depreciation	-	17,284	17,284
Total Expenses	<u>996,505</u>	<u>1,318,769</u>	<u>322,264</u>
Increase/(Decrease) in Net Assets	<u>\$ 269,893</u>	<u>\$ 207,826</u>	<u>\$ (62,067)</u>

The largest revenue source for the School is the State of Florida (84 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School. An enrollment increase of Full Time Equivalent students resulted in a revenue increase of \$260,197. Expenses increased in Instruction primarily due to an increase in instructional staffing levels to handle the increase in enrollment.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$275,050.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2010, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget several times. For the fiscal year ended June 30, 2010, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule on page 22 for additional information.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$283,516 (net of accumulated depreciation). This investment in capital assets includes construction in progress and furniture, fixtures, and equipment. Additional information regarding the School's capital assets can be found in note 2 to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Montessori Academy of Early Enrichment, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the President, Montessori Academy of Early Enrichment, Inc., 6201 South Military Trail, Lake Worth, FL 33463.

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash & Cash Equivalents	\$ 272,956
Due from Other Agency	51,121
Deposits	7,375
Accounts Receivable	4,687
Prepaid Expense	2,125
Total Current Assets	<u>338,264</u>
Capital Assets:	
Construction in Progress	269,204
Furniture, Fixtures, and Equipment, Net	14,312
Total Capital Assets, Net	<u>283,516</u>
TOTAL ASSETS	<u><u>621,780</u></u>
 LIABILITIES	
Salaries and Wages Payable	60,714
Accounts Payable	2,500
TOTAL LIABILITIES	<u>63,214</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	283,516
Unrestricted	275,050
Total Net Assets	<u>558,566</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 621,780</u></u>

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

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2010

	Expenses		Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenue and Changes Net Assets Governmental Activities	Total
		Charges for Services	Operating Grants and Contributions				
Governmental Activities:							
Instruction	\$ 739,577	\$ -	\$ 132,923	\$ -		\$ (606,654)	\$ (606,654)
Pupil Personnel Services	27,188	-	6,567	-		(20,621)	(20,621)
Instructional Media Services	3,941	-	-	-		(3,941)	(3,941)
Instruction & Curriculum Development	51,725	-	17,493	-		(34,232)	(34,232)
Instructional Staff Training	35,218	-	9,513	-		(25,705)	(25,705)
Board	29,480	-	-	-		(29,480)	(29,480)
General Administration	614	-	-	-		(614)	(614)
School Administration	90,259	-	-	-		(90,259)	(90,259)
Facilities Acquisition	92,634	-	-	54,456		(38,178)	(38,178)
Fiscal Services	69,574	-	-	-		(69,574)	(69,574)
Food Services	166	-	-	-		(166)	(166)
Pupil Transportation	46,068	-	-	-		(46,068)	(46,068)
Operation of Plant	59,529	-	-	-		(59,529)	(59,529)
Maintenance of Plant	2,420	-	-	-		(2,420)	(2,420)
Community Service	13,983	-	-	-		(13,983)	(13,983)
Loss on Disposition of Assets	39,109	-	-	-		(39,109)	(39,109)
Unallocated Depreciation	17,284	-	-	-		(17,284)	(17,284)
Total Governmental Activities	\$ 1,318,769	\$ -	\$ 166,496	\$ 54,456		(1,097,817)	(1,097,817)
General Revenues:							
State and Local sources						1,282,651	1,282,651
Contributions and other						22,992	22,992
						<u>1,305,643</u>	<u>1,305,643</u>
Change in Net Assets						207,826	207,826
Net Assets - July 1, 2009						350,740	350,740
Net Assets - June 30, 2010						<u>\$ 558,566</u>	<u>\$ 558,566</u>

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

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	<u>General Fund</u>	<u>Major Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash & Cash Equivalents	\$ 272,956	\$	\$ 272,956
Accounts Receivable	4,687		4,687
Due from Other Agency	51,121		51,121
Deposits	7,375		7,375
Prepaid Expense	2,125		2,125
Total Assets	338,264	-	338,264
LIABILITIES AND FUND BALANCE			
Liabilities:			
Salaries and Wages Payable	60,714		60,714
Accounts Payable	2,500		2,500
Total Liabilities	63,214	-	63,214
Fund Balances:			
Undesignated	275,050		275,050
Total Fund Balances	275,050	-	275,050
Total Liabilities and Fund Balances	\$ 338,264	\$ -	\$ 338,264

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

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2010

Total Fund Balances - Governmental Funds	\$ 275,050
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$311,769 and the accumulated depreciation is (\$28,253).

283,516

Total Net Assets - Governmental Activities	<u><u>\$ 558,566</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	<u>General Fund</u>	<u>Major Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Intergovernmental:			
Federal Through Local	\$ 166,496	\$	\$ 166,496
State and Local	1,282,651	54,456	1,337,107
Contributions and Other	<u>22,992</u>		<u>22,992</u>
Total Revenues	<u>1,472,139</u>	<u>54,456</u>	<u>1,526,595</u>
 Expenditures			
Current - Education:			
Instruction	\$ 739,577	\$	\$ 739,577
Pupil Personnel Services	27,188		27,188
Instructional Media Services	3,941		3,941
Instruction & Curriculum Development	51,725		51,725
Instructional Staff Training	35,218		35,218
Board	29,480		29,480
General Administration	614		614
School Administration	90,259		90,259
Facilities Acquisition	38,178	54,456	92,634
Fiscal Services	69,574		69,574
Food Services	166		166
Pupil Transportation	46,068		46,068
Operation of Plant	59,529		59,529
Maintenance of Plant	2,420		2,420
Community Service	13,983		13,983
Fixed Capital Outlay:			
Facilities Acquisition & Construction	<u>273,314</u>		<u>273,314</u>
Total Expenditures	<u>1,481,234</u>	<u>54,456</u>	<u>1,535,690</u>
Net Change in Fund Balances	(9,095)	-	(9,095)
Fund Balances, July 1, 2009	<u>284,145</u>	-	<u>284,145</u>
Fund Balances, June 30, 2010	<u>\$ 275,050</u>	<u>\$ -</u>	<u>\$ 275,050</u>

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

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balances - Governmental Funds	\$ (9,095)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount of capital outlay expense (\$273,314) in excess of depreciation expense (\$17,284) in the current period.

256,030

Losses on the disposition of assets have no effect on governmental fund balances, however, these losses are reported on the statement of activities as expenses.

(39,109)

Change in Net Assets - Governmental Activities

\$ 207,826

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

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Montessori Academy of Early Enrichment, Inc. ("School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Palm Beach County, Florida, ("District"). The current charter is effective until June 30, 2013 and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

➤ **Basis of Presentation**

Government-wide Financial Statements: Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
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NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School considers all of its funds as major governmental funds:

- General Fund: to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Capital Projects Fund: to account for all resources for the acquisition of capital and related items purchased by the School with capital outlay funds.

➤ **Basis of Accounting**

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

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Budgets and Budgetary Accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

➤ **Deposits and Investments**

Cash deposits consist of demand deposits and a certificate of deposit with financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

<u>Description</u>	<u>Estimated Lives</u>
Leasehold Improvements	5-10 years
Furniture, Fixtures and Equipment	3-7 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students (FTE) reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplies by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2010, the School reported 110.50 unweighted and 118.9270 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations, fundraising efforts, and local property tax collections.

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net assets and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

2. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010
<u>Governmental Activities:</u>				
Construction in Progress	\$ -	\$ 269,204	\$ -	\$ 269,204
Improvements other than Buildings	54,573	-	(54,573)	-
Furniture, Fixtures and Equipment	38,455	4,110	-	42,565
Total Capital Assets Being Depreciated	<u>93,028</u>	<u>273,314</u>	<u>(54,573)</u>	<u>311,769</u>
Less Accumulated Depreciation for:				
Improvements other than Buildings	(5,934)	(9,530)	15,464	-
Furniture, Fixtures and Equipment	(20,499)	(7,754)	-	(28,253)
Total Accumulated Depreciation	<u>(26,433)</u>	<u>(17,284)</u>	<u>15,464</u>	<u>(28,253)</u>
Governmental Activities Capital Assets, net	<u>\$ 66,595</u>	<u>\$ 256,030</u>	<u>\$ (39,109)</u>	<u>\$ 283,516</u>

All depreciation expense was shown as unallocated on the Statement of Activities.

3. OPERATING LEASES

The School entered into a lease for facilities on December 15, 2009 with rent commencing in August of 2010. The primary term of the lease is ten (10) years with the right to extend the primary term for two (2) consecutive extended terms of five years each. Assuming the School completes the primary term and exercises the extension rights, future minimum lease payments under the non-cancellable operating lease as of June 30 are as follows:

Fiscal Year Ending June 30:	Minimum Lease Payments
2011	\$ 162,000
2012	166,860
2013	171,866
2014	177,022
2015	182,332
2016-2020	997,068
2021-2025	1,155,876
2026-2030	<u>1,339,976</u>
Total Minimum Lease Payments	<u>\$4,353,000</u>

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

4. SCHEDULE OF STATE & LOCAL REVENUE SOURCES

The following is a schedule of the School's State and local revenue for the 2009-10 fiscal year:

Source	Amount
<i><u>FEDERAL:</u></i>	
IDEA Grant	\$ 150,416
Title I	16,080
Total Federal Sources	166,496
<i><u>STATE:</u></i>	
Florida Education Finance Program	\$ 446,117
State Stabilization Allocation	39,906
Categorical Educational Programs:	
Class Size Reduction	161,636
Supplementary Academic Instruction	21,339
Instructional Materials	9,015
Lottery Allocation	328
Safe School	2,841
Capital Outlay	54,456
ESE Guaranteed Allocation	429,287
Lead Teacher	1,164
Transportation	30,357
Voluntary Prekindergarten Program	81,117
Total State Revenue	1,277,563
<i><u>LOCAL:</u></i>	
Discretionary Millage	59,544
Total Local Revenue	59,544
Total State and Local Revenue	\$ 1,337,107

As provided in the charter school contract, the District has charged the School an administrative fee equal to 5% of total funding or \$60,018. Accounting policies relating to certain State revenue sources are described in Note 1.

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

5. DUE FROM OTHER AGENCY

The Due from Other Agency in the accompanying statement of net assets and balance sheet – governmental funds represents Capital Outlay funds and federal funds receivable from the District.

6. RISK MANAGEMENT PROGRAMS

Workers' compensation and general liability coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

7. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivables at June 30, 2010, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

8. FUNDING AND CREDIT CONCENTRATIONS

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

MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Unaudited)
For the Fiscal Year Ended June 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Intergovernmental:				
Federal Through Local	\$ 165,229	\$ 166,496	\$ 166,496	\$ -
State and Local	1,195,889	1,282,651	1,282,651	-
Contributions and Other	25,000	22,992	22,992	-
Total Revenues	1,386,118	1,472,139	1,472,139	-
Expenditures:				
Current - Education:				
Instruction	608,375	739,577	739,577	-
Pupil Personnel Services	17,741	27,188	27,188	-
Instructional Media Services	3,000	3,941	3,941	-
Instruction & Curriculum Development	47,463	51,725	51,725	-
Instructional Staff Training	15,000	35,218	35,218	-
Board	16,831	29,480	29,480	-
General Administration	59,794	614	614	-
School Administration	127,012	90,259	90,259	-
Facilities Acquisition	28,500	38,178	38,178	-
Fiscal Services	12,500	69,574	69,574	-
Food Services	-	166	166	-
Pupil Transportation	47,400	46,068	46,068	-
Operation of Plant	35,922	59,529	59,529	-
Maintenance of Plant	2,500	2,420	2,420	-
Community Service	-	13,983	13,983	-
Fixed Capital Outlay:				
Facilities Acquisition & Construction	-	273,314	273,314	-
Total Expenditures	1,022,038	1,481,234	1,481,234	-
Net Change in Fund Balance	364,080	(9,095)	(9,095)	-
Fund Balance, July 1, 2009	284,145	284,145	284,145	-
Fund Balance, June 30, 2010	\$ 648,225	\$ 275,050	\$ 275,050	\$ -

KING & WALKER, CPAs, PL
Certified Public Accountants

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Robert I. Walker, CPA

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office (813) 610-0659 fax (813) 949-9376

**Independent Auditor's Report on Internal Control Over Financial Reporting and
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Directors Montessori Academy of Early Enrichment, Inc.,
a Charter School and Component Unit of the
District School Board of Palm Beach County, Florida

We have audited the basic financial statements of the Montessori Academy of Early Enrichment, Inc. ("School"), a charter school and component unit of the District School Board of Palm Beach County, Florida, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon included under the heading ***Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information***. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the School's financial statements for the fiscal year ended June 30, 2010, we considered the School'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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School'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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity'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 School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other guidelines, 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*.

This report is intended for the information and use of the School and its management, the District School Board of Palm Beach County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive style.

September 29, 2010
Lutz, Florida

KING & WALKER, CPAs, PL

Certified Public Accountants

David M. King, CPA
Robert I. Walker, CPA

840 W. Lutz Lake Fern Road
Lutz, FL 33548
office (813) 610-0659 fax (813) 949-9376

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

To the Board of Directors Montessori Academy of Early Enrichment, Inc.,
a Charter School and Component Unit of the
District School Board of Palm Beach County, Florida

We have audited the basic financial statements of the Montessori Academy of Early Enrichment, Inc. ("School"), a charter school and component unit of the District School Board of Palm Beach County, Florida, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated September 29, 2010.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated September 29, 2010. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our audit was conducted in accordance with provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.854(1)(e)1.), require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The School has taken the appropriate corrective action to correct the findings in the prior audit.

The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement as to whether the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes regarding financial emergency. We applied financial condition assessment procedures pursuant to Rules of the Auditor General (Section 10.855(10)). The School has not met any of the conditions of the referenced statute and is not in a state of financial emergency.

Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The Rules of the Auditor General (Section 10.854(1)(e)3.), requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

The Rules of the Auditor General (Section 10.854(1)(e)4,5.), require disclosure in the management letter of matters that are not clearly inconsequential considering both quantitative and qualitative factors which include the following:

- Violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred.
- Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- Control deficiencies that are not significant deficiencies, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions, and (3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

Our audit disclosed no matters required to be disclosed by this Rule.

The Rules of the Auditor General (Section 10.854(1)(e)6.), require we disclose the name or official title of the school or center. The school's official name is Montessori Academy of Early Enrichment, Inc.

This letter is intended for the information and use of the School and its management, the District School Board of Palm Beach County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 29, 2010
Lutz, Florida

MONTESORI ACADEMY OF EARLY ENRICHMENT, INC.

Management's Response to Audit Findings

Year Ended June 30, 2010

The following is the School's response to the item in the Management Letter dated September 29, 2010, as required by Rule 10.857, Rules of the Auditor General:

No response required.