

**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, 2011*

***King & Walker, CPAs, PL***

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*Certified Public Accountants*

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# MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.

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# KING & WALKER, CPAs, PL

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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, 2011, 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 opinion.

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, 2011, 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 19, 2011, 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 19, 2011  
Lutz, Florida

## **MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.** **MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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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, 2011.

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, 2011, the School's revenues increased by \$435,914, due to increased FTE enrollment.
- Net Assets increased by \$199,879 with the schools' Invested in Capital Assets increasing by \$104,659. 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 three funds: a General Fund, a Special Revenue 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 and Major Special Revenue 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, 2010, and June 30, 2011:

	<b>Net Assets, End of Year</b>		
	<u>Governmental Activities</u>		
	<u>6-30-10</u>	<u>6-30-11</u>	<u>Increase (Decrease)</u>
<b>ASSETS</b>			
Current and Other Assets	\$ 338,264	\$ 443,457	\$ 105,193
Capital Assets, net	283,516	388,175	104,659
Total Assets	<u>621,780</u>	<u>831,632</u>	<u>209,852</u>
<b>LIABILITIES</b>			
Current Liabilities	63,214	73,187	9,973
Total Liabilities	<u>63,214</u>	<u>73,187</u>	<u>9,973</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of Debt	283,516	388,175	104,659
Unrestricted	<u>275,050</u>	<u>370,270</u>	<u>95,220</u>
Total Net Assets	<u>558,566</u>	<u>758,445</u>	<u>199,879</u>
Total Liabilities and Net Assets	<u>\$ 621,780</u>	<u>\$ 831,632</u>	<u>\$ 209,852</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 36% or \$199,879 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, 2010, and June 30, 2011 are as follows:

	<b>Operating Results for the Year</b>		
	<u>Governmental Activities</u>		
	<u>6-30-10</u>	<u>6-30-11</u>	<u>Increase (Decrease)</u>
<b>Revenues:</b>			
Federal through Local	\$ 166,496	\$ 258,884	\$ 92,388
State and Local Sources	1,337,107	1,622,982	285,875
Contributions and Other	22,992	80,643	57,651
<b>Total Revenues</b>	<u>1,526,595</u>	<u>1,962,509</u>	<u>435,914</u>
<b>Expenses:</b>			
Instruction	739,577	958,562	218,985
Pupil Personnel Services	27,188	29,006	1,818
Instructional Media Services	3,941	7,464	3,523
Instruction & Curriculum Development	51,725	114,937	63,212
Instructional Staff Training	35,218	27,445	(7,773)
Board	29,480	11,250	(18,230)
General Administration	614	77,317	76,703
School Administration	90,259	103,486	13,227
Facilities Acquisition	92,634	177,486	84,852
Fiscal Services	69,574	12,361	(57,213)
Food Services	166	-	(166)
Pupil Transportation	46,068	50,318	4,250
Operation of Plant	59,529	110,132	50,603
Maintenance of Plant	2,420	15,314	12,894
Community Service	13,983	20,688	6,705
Loss on Disposition of Assets	39,109	-	(39,109)
Unallocated Depreciation	17,284	46,864	29,580
<b>Total Expenses</b>	<u>1,318,769</u>	<u>1,762,630</u>	<u>443,861</u>
<b>Increase/(Decrease) in Net Assets</b>	<u>\$ 207,826</u>	<u>\$ 199,879</u>	<u>\$ (7,947)</u>

The largest revenue source for the School is the State of Florida (78 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 \$435,914. 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 \$370,270.

### **BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2011, 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, 2011, 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, 2011, amounts to \$388,175 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements and furniture, fixtures, and equipment. Additional information regarding the School's capital assets can be found in note 3 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, 2011*

<b>ASSETS</b>	<u>Governmental Activities</u>
Current Assets:	
Cash & Cash Equivalents	\$ 399,828
Due from Other Agency	29,596
Deposits	14,033
Total Current Assets	<u>443,457</u>
Capital Assets:	
Leasehold Improvements, Net	355,166
Furniture, Fixtures, and Equipment, Net	33,009
Total Capital Assets, Net	<u>388,175</u>
<b>TOTAL ASSETS</b>	<u><u>831,632</u></u>
<b>LIABILITIES</b>	
Salaries and Wages Payable	71,939
Accounts Payable	1,248
<b>TOTAL LIABILITIES</b>	<u>73,187</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	388,175
Unrestricted	370,270
Total Net Assets	<u>758,445</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 831,632</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, 2011*

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Assets	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>						
Instruction	\$ 958,562	\$ -	\$ 258,884	\$ -	\$ (699,678)	\$ (699,678)
Pupil Personnel Services	29,006	-	-	-	(29,006)	(29,006)
Instructional Media Services	7,464	-	-	-	(7,464)	(7,464)
Instruction & Curriculum Development	114,937	-	-	-	(114,937)	(114,937)
Instructional Staff Training	27,445	-	-	-	(27,445)	(27,445)
Board	11,250	-	-	-	(11,250)	(11,250)
General Administration	77,317	-	-	-	(77,317)	(77,317)
School Administration	103,486	-	-	-	(103,486)	(103,486)
Facilities Acquisition	177,486	-	-	58,083	(119,403)	(119,403)
Fiscal Services	12,361	-	-	-	(12,361)	(12,361)
Pupil Transportation	50,318	-	-	-	(50,318)	(50,318)
Operation of Plant	110,132	-	-	-	(110,132)	(110,132)
Maintenance of Plant	15,314	-	-	-	(15,314)	(15,314)
Community Service	20,688	-	-	-	(20,688)	(20,688)
Unallocated Depreciation	46,864	-	-	-	(46,864)	(46,864)
<b>Total Governmental Activities</b>	<b>\$ 1,762,630</b>	<b>\$ -</b>	<b>\$ 258,884</b>	<b>\$ 58,083</b>	<b>(1,445,663)</b>	<b>(1,445,663)</b>
 <b>General Revenues:</b>						
State and Local sources					1,564,899	1,564,899
Contributions and other					80,643	80,643
					1,645,542	1,645,542
Change in Net Assets					199,879	199,879
Net Assets - July 1, 2010					558,566	558,566
Net Assets - June 30, 2011					\$ 758,445	\$ 758,445

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, 2011***

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 399,828	\$ -	\$ -	\$ 399,828
Due from Other Agency	29,596			29,596
Deposits	14,033			14,033
Total Assets	443,457	-	-	443,457
 <b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Salaries and Wages Payable	71,939			71,939
Accounts Payable	1,248			1,248
Total Liabilities	73,187	-	-	73,187
Fund Balances:				
Nonspendable	14,033			14,033
Spendable:				
Unassigned	356,237	-	-	356,237
Total Fund Balances	370,270	-	-	370,270
Total Liabilities and Fund Balances	\$ 443,457	\$ -	\$ -	\$ 443,457

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, 2011*

<b>Total Fund Balances - Governmental Funds</b>	\$ 370,270
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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 \$463,292 and the accumulated depreciation is (\$75,117).

388,175

**Total Net Assets - Governmental Activities**

\$ 758,445

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, 2011*

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Intergovernmental:				
Federal Through Local	\$	\$ 258,884	\$	\$ 258,884
State and Local	1,564,899		58,083	1,622,982
Contributions and Other	80,643			80,643
Total Revenues	<u>1,645,542</u>	<u>258,884</u>	<u>58,083</u>	<u>1,962,509</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	\$ 699,678	\$ 258,884	\$	\$ 958,562
Pupil Personnel Services	29,006			29,006
Instructional Media Services	7,464			7,464
Instruction & Curriculum Development	114,937			114,937
Instructional Staff Training	27,445			27,445
Board	11,250			11,250
General Administration	77,317			77,317
School Administration	103,486			103,486
Facilities Acquisition	119,403		58,083	177,486
Fiscal Services	12,361			12,361
Pupil Transportation	50,318			50,318
Operation of Plant	110,132			110,132
Maintenance of Plant	15,314			15,314
Community Service	20,688			20,688
Fixed Capital Outlay:				
Facilities Acquisition & Construction	151,523			151,523
Total Expenditures	<u>1,550,322</u>	<u>258,884</u>	<u>58,083</u>	<u>1,867,289</u>
Net Change in Fund Balances	95,220	-	-	95,220
Fund Balances, July 1, 2010	<u>275,050</u>	<u>-</u>	<u>-</u>	<u>275,050</u>
Fund Balances, June 30, 2011	<u>\$ 370,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,270</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, 2011*

<b>Net Change in Fund Balances - Governmental Funds</b>	\$ 95,220
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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 outlays (\$151,523) in excess of depreciation expense (\$46,864) in the current period.

104,659

<b>Change in Net Assets - Governmental Activities</b>	<u><u>\$ 199,879</u></u>
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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, 2011**

**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.**  
**A Charter School and Component Unit of the District School Board of Palm Beach County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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.
- Major Special Revenue Fund: to account for certain Federal grant program resources.
- 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,

**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, 2011**

revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the 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

**MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.**  
**A Charter School and Component Unit of the District School Board of Palm Beach County, Florida**  
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School reports the number of full-time equivalent students and related data to the District.

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, 2011, the School reported 144.460 unweighted and 157.202 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

**MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.**  
**A Charter School and Component Unit of the District School Board of Palm Beach County, Florida**  
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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.

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.

➤ **Fund Balance**

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of non-spendable and spendable resources. The School has deposits of \$14,033 classified as non-spendable. Spendable resources are to be shown as Restricted, Committed, Assigned, and Unassigned as considered appropriate in the School's circumstances. The School has reported its remaining fund balance of \$356,237 as Spendable-Unassigned on its Balance Sheet – Governmental Funds.

➤ **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.

**2. 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.

**MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.**  
**A Charter School and Component Unit of the District School Board of Palm Beach County, Florida**  
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**3. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Construction in Progress	\$ 269,204	\$ -	\$ 269,204	\$ -
Leasehold Improvements	-	394,629	-	394,629
Furniture, Fixtures and Equipment	42,565	26,098	-	68,663
Total Capital Assets Being Depreciated	<u>311,769</u>	<u>420,727</u>	<u>269,204</u>	<u>463,292</u>
Less Accumulated Depreciation for:				
Leasehold Improvements	-	(39,463)	-	(39,463)
Furniture, Fixtures and Equipment	(28,253)	(7,401)	-	(35,654)
Total Accumulated Depreciation	<u>(28,253)</u>	<u>(46,864)</u>	<u>-</u>	<u>(75,117)</u>
Governmental Activities Capital Assets, net	<u>\$ 283,516</u>	<u>\$ 373,863</u>	<u>\$ 269,204</u>	<u>\$ 388,175</u>

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

**4. OPERATING LEASES**

The School entered into a lease for facilities on December 15, 2009 with rent commencing in August of 2011. 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
2012	166,860
2013	171,866
2014	177,022
2015	182,332
2016	187,802
2017-2021	1,026,981
2022-2026	1,190,552
2027-2030	<u>1,087,586</u>
Total Minimum Lease Payments	<u>\$ 4,191,001</u>

**MONTESSORI ACADEMY OF EARLY ENRICHMENT, INC.**  
**A Charter School and Component Unit of the District School Board of Palm Beach County, Florida**  
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**5. SCHEDULE OF STATE & LOCAL REVENUE SOURCES**

The following is a schedule of the School's State and local revenue for the 2010-11 fiscal year:

Source	Amount
<i><u>FEDERAL:</u></i>	
IDEA Grant	\$ 196,996
Education Jobs Grant	31,992
Title I	29,896
Total Federal Sources	258,884
<i><u>STATE:</u></i>	
Florida Education Finance Program	\$ 591,834
ESE Guaranteed Allocation	453,296
Categorical Educational Programs:	
Class Size Reduction	215,189
Supplementary Academic Instruction	28,087
Instructional Materials	11,506
Safe School	3,753
Lottery Allocation	426
Voluntary Prekindergarten Program	88,763
Capital Outlay	58,083
State Stabilization Allocation	50,175
Transportation	19,726
Lead Teacher	1,351
Total State Revenue	1,522,189
<i><u>LOCAL:</u></i>	
Discretionary Local Effort	100,793
Total Local Revenue	100,793
Total State and Local Revenue	\$ 1,622,982

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$74,476.

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**  
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**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, 2011, 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 & MAJOR SPECIAL REVENUE FUND - (UNAUDITED)**  
*For the Fiscal Year Ended June 30, 2011*

	General Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>								
Intergovernmental:								
Federal Through Local	\$ -	\$ -	\$ -	\$ -	\$ 275,000	\$ 258,884	\$ 258,884	\$ -
State and Local	1,500,000	1,564,899	1,564,899	-	-	-	-	-
Contributions and Other	90,000	80,643	80,643	-	-	-	-	-
<b>Total Revenues</b>	<b>1,590,000</b>	<b>1,645,542</b>	<b>1,645,542</b>	<b>-</b>	<b>275,000</b>	<b>258,884</b>	<b>258,884</b>	<b>-</b>
<b>Expenditures:</b>								
Current - Education:								
Instruction	700,000	699,678	699,678	-	275,000	258,884	258,884	-
Pupil Personnel Services	35,000	29,006	29,006	-	-	-	-	-
Instructional Media Services	5,000	7,464	7,464	-	-	-	-	-
Instruction & Curriculum Development	120,000	114,937	114,937	-	-	-	-	-
Instructional Staff Training	25,000	27,445	27,445	-	-	-	-	-
Board	10,000	11,250	11,250	-	-	-	-	-
General Administration	75,000	77,317	77,317	-	-	-	-	-
School Administration	100,000	103,486	103,486	-	-	-	-	-
Facilities Acquisition	120,000	119,403	119,403	-	-	-	-	-
Fiscal Services	10,000	12,361	12,361	-	-	-	-	-
Pupil Transportation	50,000	50,318	50,318	-	-	-	-	-
Operation of Plant	110,000	110,132	110,132	-	-	-	-	-
Maintenance of Plant	10,000	15,314	15,314	-	-	-	-	-
Community Service	20,000	20,688	20,688	-	-	-	-	-
Fixed Capital Outlay:								
Facilities Acquisition & Construction	150,000	151,523	151,523	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,540,000</b>	<b>1,550,322</b>	<b>1,550,322</b>	<b>-</b>	<b>275,000</b>	<b>258,884</b>	<b>258,884</b>	<b>-</b>
Net Change in Fund Balances	50,000	95,220	95,220	-	-	-	-	-
Fund Balance, July 1, 2010	275,050	275,050	275,050	-	-	-	-	-
<b>Fund Balance, June 30, 2011</b>	<b>\$ 325,050</b>	<b>\$ 370,270</b>	<b>\$ 370,270</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# KING & WALKER, CPAs, PL

*Certified Public Accountants*

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## **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, 2011, 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, 2011, 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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,

*King & Walker, CPAs*

September 19, 2011  
Lutz, Florida

**KING & WALKER, CPAs, PL**  
*Certified Public Accountants*

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**Robert I. Walker, CPA**

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

To the Board of Directors 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, 2011, and have issued our report thereon dated September 19, 2011.

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 19, 2011. 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. There were no 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.

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,

*King & Walker, CPAs*

September 19, 2011  
Lutz, Florida

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

**Management's Response to Audit Findings**

Year Ended June 30, 2011

The following is the School's response to the item in the Management Letter dated September 19, 2011, as required by Rule 10.857, Rules of the Auditor General:

No response required.