



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

**FINANCIAL STATEMENTS AND AUDITORS' REPORTS  
June 30, 2015**

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## **FINANCIAL SECTION**

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
*A Charter School of the School District of Polk County, Florida*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)**  
**JUNE 30, 2015**

The management's discussion and analysis (MD&A) provides an overview of Magnolia Montessori Academy, Inc.'s ("School") activities for the year ended June 30, 2015 and should be read in conjunction with the financial statements and the notes thereto.

The MD&A, and the financial statements and notes thereto, are the responsibility of School management.

**FINANCIAL HIGHLIGHTS**

- Net position represents the residual interest in the School's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The School's net position at June 30, 2015 totaled \$105,222 or 15% of 2014-2015 expenses compared to the June 30, 2014 total of \$67,106 or 12% of 2013-2014 expenses.
- For the year ended June 30, 2015, the School's total net position increased by \$38,116, of which \$5,595 was due to the correction of an error and \$32,521, was the result of current year operations.
- For the year ended June 30, 2014, the School's total net position increased by \$42,656 which would have been \$48,251 when taking into account the correction of an error in the current year. See note 10 to the notes to financial statements for more detail on the restatement for the correction of an error.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The *statement of net position* presents all of the School's assets, deferred inflows of resources, liabilities and deferred inflows of resources, with the residual measure reported as "net position". Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating. The reader will need to consider other non-financial factors such as the current tax laws, student enrollment growth or decline, and facility conditions in arriving at their conclusion regarding the overall health of the School.

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

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

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
*A Charter School of the School District of Polk County, Florida*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)**  
**JUNE 30, 2015**

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

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

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

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

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

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
*A Charter School of the School District of Polk County, Florida*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)**  
**JUNE 30, 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

	<b>Statement of Net Position</b>			
	<i>Governmental Activities</i>			
	6-30-15	6-30-14	Change	%
<b>Assets</b>				
Cash and cash equivalents	\$ 94,813	\$ 64,099	\$ 30,714	47.9%
Capital Assets, Net	58,031	49,464	8,567	17.3%
<b>Total Assets</b>	<b>152,844</b>	<b>113,563</b>	<b>39,281</b>	<b>34.6%</b>
<b>Liabilities</b>				
Current Liabilities	41,036	40,515	521	1.3%
Noncurrent Liabilities:	6,586	5,942	644	10.8%
<b>Total Liabilities</b>	<b>47,622</b>	<b>46,457</b>	<b>1,165</b>	<b>2.5%</b>
<b>Net Position</b>				
Net Investment in				
Capital Assets	58,031	49,464	8,567	17.3%
Unrestricted	47,191	17,642	29,549	167.5%
<b>Total Net Position</b>	<b>\$ 105,222</b>	<b>\$ 67,106</b>	<b>\$ 38,116</b>	<b>56.8%</b>

The assets of the School primarily consist of cash and cash equivalents and equipment and leasehold improvements. Liabilities consist primarily of accounts payable and accrued wages payable.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The School's net position was \$105,222 at the close of the current fiscal year. Unrestricted net position is approximately 45% of the total net position and the School's investment in capital assets makes up the remaining 55%.

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
*A Charter School of the School District of Polk County, Florida*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)**  
**JUNE 30, 2015**

The key elements of the changes in the School's net position for the fiscal year ended June 30, 2015 are as follows.

	<b>Statement of Activities</b>			
	<i>Governmental Activities</i>			
	6-30-15	6-30-14	Change	%
<b>Revenues:</b>				
State and local sources	\$ 730,677	\$ 596,680	\$ 133,997	22.5%
Contributions and other	20,648	24,653	(4,005)	-16.2%
<b>Total revenues</b>	<b>751,325</b>	<b>621,333</b>	<b>129,992</b>	<b>20.9%</b>
<b>Expenses:</b>				
Instruction	476,925	354,139	122,786	34.7%
Instructional support	9,868	7,004	2,864	40.9%
Board	7,377	-	7,377	-----
Transportation	-	5,595	(5,595)	-100.0%
School administration	112,129	101,120	11,009	10.9%
Central services	29,337	22,810	6,527	28.6%
Operation of plant	81,875	69,672	12,203	17.5%
Community services	1,293	18,337	(17,044)	-92.9%
<b>Total expenses</b>	<b>718,804</b>	<b>578,677</b>	<b>140,127</b>	<b>24.2%</b>
<b>Increase (decrease) in Net Position</b>	<b>\$ 32,521</b>	<b>\$ 42,656</b>	<b>\$ (10,135)</b>	<b>-23.8%</b>

The School's total revenues were \$751,325 for 2015 compared to \$621,333 for 2014 while the total costs of all programs and services were \$718,804 in 2015 and \$578,677 in 2014. This resulted in a net increase in net position of \$32,521 in 2015 compared to \$42,656 in 2014.

The largest revenue source for the School is the State of Florida (76%). 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.



**MAGNOLIA MONTESSORI ACADEMY, INC.**  
*A Charter School of the School District of Polk County, Florida*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)**  
**JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

*Governmental Funds* - As of June 30, 2015, the School's general fund reported a positive fund balance of \$64,177 or 9% of 2014-2015 general fund expenditures. As of June 30, 2014, the School's general fund reported a positive fund balance of \$33,984 or 6% of 2013-2014 general fund expenditures.

**BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2015, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. For the year ended June 30, 2015, actual budgetary inflows were \$20,122 greater than the final budgeted amount and actual outflows exceeded the budgeted appropriations by \$12,887 resulting in an overall positive budget variance of \$7,235.

**CAPITAL ASSETS**

At June 30, 2015, the School had \$94,741 in capital assets, less accumulated depreciation of \$36,710, for net capital assets of \$58,031. Depreciation charges for the current fiscal year totaled \$19,900. More information about the School's capital assets is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The budget is initially adopted by June of the prior year based on a conservative estimate of enrollment and estimated per pupil revenue from the state. This enrollment is based on the number of expected returning students and the number of students in the waiting pool for available spaces. For the 2014-2015 school year, the enrollment at the School was 92 compared to 71 in the prior year. The 2015-2016 enrollments are expected to remain constant at approximately 92 full-time-equivalent students.

**REQUEST FOR INFORMATION**

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional information should be addressed to the Director of Finance, Magnolia Montessori Academy, Inc. 1540 New Jersey Rd, Lakeland, FL 33803.



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**Magnolia Montessori Academy, Inc.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Magnolia Montessori Academy, Inc., (the "School"), a charter school of the School District of Polk County, Florida, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Magnolia Montessori Academy, Inc., as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT  
(cont...)

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages M1–M5 and page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2015, on our consideration of Magnolia Montessori Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Magnolia Montessori Academy's internal control over financial reporting and compliance.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.  
Auburndale, Florida  
July 30, 2015

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**STATEMENT OF NET POSITION**  
June 30, 2015

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 94,813
Capital assets, net	
Depreciable	58,031
<b>TOTAL ASSETS</b>	<u>152,844</u>
<b>LIABILITIES</b>	
Accounts payable and accrued wages	30,636
Unearned revenue	10,400
Long-term liabilities:	
Due within one year	-
Due in more than one year	6,586
<b>TOTAL LIABILITIES</b>	<u>47,622</u>
<b>NET POSITION</b>	
Net investment in capital assets	58,031
Unrestricted	47,191
<b>TOTAL NET POSITION</b>	<u>105,222</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 152,844</u>

See Accompanying Notes to Financial Statements

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2015

FUNCTIONS / PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction	\$ 476,925	\$ 127,440	\$ 20,621	\$ (328,864)
Instructional support services	9,868	-	-	(9,868)
Board	7,377	-	-	(7,377)
School administration	112,129	-	-	(112,129)
Central services	29,337	-	-	(29,337)
Pupil transportation services	-	-	-	-
Operation of plant	81,875	-	-	(81,875)
Community services	1,293	8,038	-	6,745
<b>Total governmental activities</b>	<u>\$ 718,804</u>	<u>\$ 135,478</u>	<u>\$ 20,621</u>	<u>\$ (562,705)</u>
<b>GENERAL REVENUES:</b>				
State passed through local school district				588,047
Federal passed through local school district				7,152
Interest income				27
<b>Total general revenues, special items, and transfers</b>				<u>595,226</u>
<b>CHANGE IN NET POSITION</b>				32,521
<b>NET POSITION - beginning of year</b>				67,106
Restatement (Note 10)				5,595
<b>NET POSITION - end of year</b>				<u>\$ 105,222</u>

See Accompanying Notes to Financial Statements

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2015

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	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 94,813
<b>TOTAL ASSETS</b>	<u>\$ 94,813</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable and accrued wages	\$ 30,636
<b>TOTAL LIABILITIES</b>	<u>30,636</u>
<b>FUND BALANCE:</b>	
Unassigned	<u>64,177</u>
<b>TOTAL FUND BALANCE</b>	<u>64,177</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 94,813</u>

See Accompanying Notes to Financial Statements

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET POSITION**  
 June 30, 2015

<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 64,177</b>
 <b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	58,031
Certain preschool related unearned revenue that did not meet the earned criteria for recognition in the statement of activities.	(10,400)
Long-term liabilities (including compensated absences) are not payable from current resources and therefore they are not reported in the governmental funds.	<u>(6,586)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 105,222</u></b>

See Accompanying Notes to Financial Statements



**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS**  
For the year ended June 30, 2015

	<u>General Fund</u>
<b>REVENUES:</b>	
Federal passed through local school district	\$ 7,152
State passed through local school district	588,047
Contributions and other local sources	156,099
Interest revenue	<u>27</u>
Total revenues	<u>751,325</u>
<b>EXPENDITURES:</b>	
Instruction	457,108
Instructional support services	9,868
Governing board	7,377
School administration	113,912
Central services	29,337
Pupil transportation services	-
Operation of plant	107,832
Community services	<u>1,293</u>
Total expenditures	<u>726,727</u>
<b>NET CHANGE IN FUND BALANCE</b>	24,598
<b>FUND BALANCE, previously reported</b>	33,984
Restatement (Note 10)	<u>5,595</u>
<b>FUND BALANCE, restated</b>	<u>39,579</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 64,177</u>

See Accompanying Notes to Financial Statements

**MAGNOLIA MONTESSORI ACADEMY, INC.**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

For the year ended June 30, 2015

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<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 24,598</b>
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**Amounts reported for governmental activities in the statement of activities are  
different because:**

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

This is the amount of capital assets recorded in the current period.	28,467
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.

	(19,900)
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Certain preschool revenues reported in the prior year statement of activities did not provide current financial resources and, therefore, were not reported as revenues in the governmental funds in the prior year.

This is the amount of unearned revenue in the prior year.	10,400
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This is the amount of unearned revenue in the current year.	(10,400)
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Long-term compensated absences are reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. This is the net change in the liability during the year.

	(644)
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<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>32,521</u></b>
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**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**A Charter School of the School District of Polk County, Florida**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

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

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the School District of Polk County, Florida (the "District") and, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units. The charter became effective on July 1, 2013 for a four-year term ending June 30, 2017. The charter may be renewed for up to an additional fifteen years. During the term of the charter, the District may terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the District.

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

**BASIS OF PRESENTATION**

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

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

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

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**A Charter School of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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

**BASIS OF PRESENTATION** (cont...)

**Fund Financial Statements** - The fund financial statements provide detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The financial transactions of the School are recorded in a single governmental "general" fund. There are no other governmental funds. Because the focus of governmental fund financial statements differs from the focus of the government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

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

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

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

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

**CASH AND CASH EQUIVALENTS** - The financial statement caption "cash and cash equivalents" includes all deposits with banks and financial institutions including certificates of deposit and all highly-liquid investments (with original maturities of three months or less). All deposits are insured by federal depository insurance and, are collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**A Charter School of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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

**RECEIVABLES** - Consist primarily of amounts due from other governments. All receivables are deemed collectible, and no allowance for uncollectible accounts is considered necessary.

**INVENTORIES** - Supplies inventory is immaterial and such items are charged to expense when purchased.

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES** - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will *not* be recognized as an outflow of resources (expense/expenditure).

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applied to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

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

**CAPITAL ASSETS** - Expenditures for capital assets acquired for School purposes are reported in the general fund. Property and equipment having an original cost of \$750 or more and that is either titled in the School's name or for which the School has the continuing responsibility for maintenance, is reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair market value as of the date received. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Leasehold improvements	3-20
Furniture and equipment	3-5

**USE OF ESTIMATES** -The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**A Charter School of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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

**INCOME TAXES** - The School is generally exempt from income taxes under section 501 (c) (3) of the Internal Revenue Code and applicable state law. Therefore, no provisions for income taxes have been made in the accompanying financial statements.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School files Form 990 in the U.S. Federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service for years endings before June 30, 2012.

**REVENUE SOURCES** - Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The District receives a 5% administrative fee from the School, which is reflected as a central services expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balance.

**EQUITY CLASSIFICATIONS -**

**Government-wide Statements** - The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and displayed in three components:

- a) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - Consists of net position with constraints placed in its use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**A Charter School of the School District of Polk County, Florida**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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

- c) Unrestricted net position - Consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

**Fund Statements** - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor the constraints on the specific purposes for which amounts in those funds can be spent. The following classifications describe the relative strength of the spending constraints:

- a) Nonspendable - amounts that are not in spendable form (such as prepaid items and deposits) or are legally required to be maintained intact. The School had no nonspendable fund balance amounts at June 30, 2015.
- b) Restricted - amounts constrained to specific purposes by external purposes by external providers or imposed by law through constitutional provisions or by enabling legislation. The School had no restricted fund balance amounts at June 30, 2015.
- c) Committed - amounts constrained to specific purposes by formal action of the School itself, using its highest level of decision making authority (the School's Board of Directors) through resolution. To be reported as committed, amounts cannot be used for any other purpose unless the School's Board of Directors takes the same highest level action (a resolution) to remove or change the constraint. The School had no committed fund balance amounts at June 30, 2015.
- d) Assigned - amounts the School intends to use for a specific purpose but are neither restricted nor committed. Assignments can be made by the principal or by an official or body which the Board of Directors have delegated the authority. The School had no assigned fund balance amounts at June 30, 2015.
- e) Unassigned - includes residual positive fund balance which has not been classified within the other above mentioned categories.

The details of the fund balances are included in the governmental funds balance sheet. The School uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The details of the fund balances are included in the governmental fund balance sheet on page 5.

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**A Charter School of the School District of Polk County, Florida**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 2 - BUDGETARY LAW AND PRACTICE**

The budget is adopted by the School's Board of Directors on or before July 1 of each year by motion in the minutes. All budget amounts presented in the accompanying supplementary information have been adjusted for legally authorized amendments. The budgetary basis for the general fund differs from the basis used for financial reporting purposes in that it does not include after school care, field trip or miscellaneous fundraising revenue and the related expenditures.

**NOTE 3 - CASH**

The School's deposits are insured by the FDIC up to \$250,000 per financial institution. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the Chief Financial Officer, State of Florida ("CFO") in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the CFO will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08. Florida Statutes.

There were no investment securities maintained during the year. The captions on the government-wide statement of net position for "cash and cash equivalents" are summarized below.

Cash and cash equivalents:			
Fully collateralized deposits in financial institutions	\$	94,813	
Total cash and cash equivalents	\$	<u>94,813</u>	

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b><u>Governmental Activities:</u></b>				
<b>Capital assets being depreciated:</b>				
Leasehold improvements	\$ 48,366	\$ 24,397	\$ -	\$ 72,763
Furniture and equipment	17,908	4,070	-	21,978
Total	66,274	28,467	-	94,741
Less accumulated depreciation for:				
Leasehold improvements	(11,814)	(13,456)	-	(25,270)
Furniture and equipment	(4,996)	(6,444)	-	(11,440)
Total accumulated depreciation	(16,810)	(19,900)	-	(36,710)
Depreciable capital assets, net	\$ 49,464	\$ 8,567	\$ -	\$ 58,031



**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**A Charter School of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 4 - CAPITAL ASSETS** (cont...)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

Instruction		\$	19,900
Total depreciation expense - governmental activities		\$	<u>19,900</u>

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due within One Year
<b><u>Governmental Activities</u></b>					
<b>Other liabilities:</b>					
Compensated absences	5,942	9,904	(9,260)	6,586	-
Total other liabilities	<u>5,942</u>	<u>9,904</u>	<u>(9,260)</u>	<u>6,586</u>	<u>-</u>
Total long-term liabilities	<u>\$ 5,942</u>	<u>\$ 9,904</u>	<u>\$ (9,260)</u>	<u>6,586</u>	<u>\$ -</u>
Less amount due in one year				<u>-</u>	
Net long-term liabilities due after one year				<u>\$ 6,586</u>	

**NOTE 6 - RISK MANAGEMENT**

Commercial insurance protection with normal deductibles, including general liability, property and workers compensation, is in place to limit the School's exposure from losses arising from theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There has been no significant reduction in coverages, nor have settlement amounts exceeded the School's coverages during the year ended June 30, 2015 or the previous year which was the Schools first year in operation.

In the normal course of conducting operations, the School may become party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on financial operations. As of June 30, 2015, management was not aware of any legal actions or proceedings pending against the school.

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**A Charter School of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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**NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES**

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

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

**NOTE 8 - FACILITY LEASE**

Effective December 21, 2012, the School entered into an operating lease for administrative and classroom space. Facility rental expense related to the facility lease for the fiscal year ended June 30, 2015 totaled \$54,720. The original agreement terminated on June 30, 2015. As of May 27, 2015, the agreement was extended for an additional year through June 30, 2016. Based upon the extended agreement, the annual fee for the 2015-2016 school year is \$55,560.

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**A Charter School of the School District of Polk County, Florida**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 9 - CONCENTRATION OF REVENUE SOURCES**

The School's principal source of revenues is from the State of Florida passed through the District, which provided approximately 79% of total revenue for the year ended June 30, 2015. The following is a schedule of revenue sources and amounts for the year ended June 30, 2015.

<u>Sources</u>	<u>Amount</u>
School District of Polk County, Florida	
Base funding	\$ 424,022
Digital classroom allocation	973
Discretionary millage	18,789
Discretionary tax equalization allocation	18,201
Instructional materials allocation	7,130
Student transportation	7,831
Class size reduction	109,478
Discretionary lottery	323
Teacher supply program	1,300
Federal IDEA grant revenue	3,551
Federal Title II grant revenue	<u>3,601</u>
Total revenue through the School District of Polk County, Florida	595,199
Other revenue:	
Preschool tuition and fees	108,736
After school care fees	8,038
Parent support fees	7,023
Donations	20,621
Other local sources	11,681
Interest income	<u>27</u>
Total revenue	<u>\$ 751,325</u>

**NOTE 10 - RESTATEMENT**

During the current year it was determined that an adjustment totaling \$5,595 related to pupil transportation costs was incorrectly accrued as an accounts payable / expenditure as part of the year-end closing process in the prior year. To correct this error, the net position of the governmental activities and fund balance of the general fund, as previously reported, were restated (increased) by \$5,595. The cause of this error was the assumption of a contractual agreement with the transportation provider that ultimately did not exist.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MAGNOLIA MONTESSORI ACADEMY, INC.**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Unaudited)**  
for the year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RESOURCES (inflows):</b>				
State passed through local school district	\$ 571,711	\$ 571,711	\$ 588,047	\$ 16,336
Interest	-	-	27	27
Other	112,000	112,000	115,759	3,759
Total resources	<u>683,711</u>	<u>683,711</u>	<u>703,833</u>	<u>20,122</u>
<b>CHARGES TO APPROPRIATIONS (outflows):</b>				
Instruction	421,308	425,308	444,221	(18,913)
Instructional support services	7,500	7,500	9,868	(2,368)
Governing board	6,000	6,000	7,377	(1,377)
School administration	128,495	128,495	113,912	14,583
Central services	28,586	28,586	29,337	(751)
Operation of plant	73,420	93,420	97,481	(4,061)
Total charges to appropriations	<u>665,309</u>	<u>689,309</u>	<u>702,196</u>	<u>(12,887)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>18,402</u>	<u>(5,598)</u>	<u>\$ 1,637</u>	<u>\$ 7,235</u>
Budgeted excess inflows	(18,402)	-		
Prior year fund balance reappropriation	-	5,598		
<b>NET CHANGE IN FUND BALANCE:</b>	<u>\$ -</u>	<u>\$ -</u>		

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:**

**Resources/inflows of resources**

Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	\$ 703,833
Differences - budget to GAAP:	
Federal Title II and IDEA funding that was not budgeted	7,152
Local donations	20,621
Other local sources	11,681
Community services - after school care revenue	<u>8,038</u>
Total revenue as reported on the statement of revenues, expenditures and changes in fund balance	<u>\$ 751,325</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 702,196
Differences - budget to GAAP:	
Capital outlay not budgeted	
Facility improvements	7,276
Playground equipment	3,075
Purchases made from donations not budgeted	9,934
Instruction - field trip expenditures not budgeted	2,953
Community services - after school care not budgeted	<u>1,293</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance	<u>\$ 726,727</u>

See Auditor's Report

## **OTHER REPORTS**

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

To the Board of Directors  
**Magnolia Montessori Academy, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Magnolia Montessori Academy, Inc. (the "School") a charter of the School District of Polk County, Florida, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated July 30, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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*

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.  
Auburndale, Florida  
July 30, 2015



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MANAGEMENT LETTER

To the Board of Directors  
Magnolia Montessori Academy, Inc.

**Report on the Financial Statements**

We have audited the financial statements of Magnolia Montessori Academy, Inc., (the "School"), a charter school of the School District of Polk County, Florida, as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated July 30, 2015.

**Auditor's Responsibility**

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

**Other Reporting Required by Government Auditing Standards**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standard*. Disclosures in this report, which is dated July 30, 2015, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report.

**Financial Condition**

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

**Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes with the exception of the annual independent fiscal audit which was not available on the School's website.

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MANAGEMENT LETTER

(cont...)

**Other Matters**

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had one recommendation at 15-01 of the accompanying schedule of findings and recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Magnolia Montessori Academy, Inc.

**Purpose of this Letter**

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

*Brynjulfson CPA, P.A.*

Brynjulfson CPA, P.A.  
Auburndale, Florida  
July 30, 2015

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2015  
MAGNOLIA MONTESSORI ACADEMY, INC.**

**15-01: Budget Amendments**

Type: Recommendation

Criteria: Section 1002.33(9)(h) of the Florida Statutes requires that the governing body of the charter school adopt an annual budget. This budget should be amended if management believes expenses will exceed actual appropriations.

Condition: During the current year, actual expenditures exceeded final budgeted appropriations by \$12,887.

Effect: The School's actual expenditures exceeded budgeted appropriations.

Auditor's Recommendation: We recommend that management provide the Board of Directors with periodic financial reports that show actual expenditures compared to the budgeted appropriations and to amend the School budget if necessary to ensure that actual expenditures do not exceed the budgeted appropriations.

*Management's Response:* We will follow the recommendation and update the budget as required.