



**A Charter School of the District**

**School Board of Polk County, Florida**

**FINANCIAL STATEMENTS AND AUDITOR'S REPORTS**

**June 30, 2023**

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Magnolia Montessori Academy, Inc., (the "School"), a charter school and component unit of the School District of Polk County, Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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 the Magnolia Montessori Academy, Inc., as of June 30, 2023, 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.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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INDEPENDENT AUDITOR'S REPORT  
(cont...)

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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INDEPENDENT AUDITOR'S REPORT  
(concluded)

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule – general fund as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 September 8, 2023 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  
September 8, 2023

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2023**

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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, 2023 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, 2023 totaled \$720,131 or 36% of 2022-23 expenses compared to the June 30, 2022 total of \$460,432 or 28% of 2021-22 expenses.
- For the year ended June 30, 2023, the School’s total net position increased by \$21,593 compared to an increase of \$5,667 for the prior year.
- As of the close of the current fiscal year, the School’s general fund reported an ending fund balance of \$562,217 an increase of \$212,257 in comparison with the prior year.
- At the close of the current fiscal year, the School’s general fund reported a unassigned fund balance of \$562,217 which represents 28% of the total expenditures for the year ended June 30, 2023. At the close of the prior fiscal year the School’s general fund reported a unassigned fund balance of \$349,960 which represented 16% of the total expenditures for the year ended June 30, 2022.

**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.



**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2023**

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The *statement of net position* presents all of the School's assets, deferred outflows 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.

*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 and Component Unit of the School District of Polk County, Florida***MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2023****GOVERNMENT-WIDE FINANCIAL ANALYSIS**

	<b>Governmental Activities</b>			
	<b>For the year ended</b>		<b>Change</b>	<b>% Change</b>
	<b>June 30, 2023</b>	<b>June 30, 2022</b>		
<b>Assets:</b>				
Current and other assets	\$ 746,780	\$ 472,328	\$ 274,452	58%
Capital assets, net	2,145,565	2,103,451	42,114	2%
<b>Total assets</b>	<b>2,892,345</b>	<b>2,575,779</b>	<b>316,566</b>	<b>12%</b>
<b>Liabilities:</b>				
Current liabilities	200,663	137,368	63,295	46%
Long-term liabilities	1,971,551	1,977,979	(6,428)	0%
<b>Total liabilities</b>	<b>2,172,214</b>	<b>2,115,347</b>	<b>56,867</b>	<b>3%</b>
<b>Net position:</b>				
Net investment in capital assets	193,912	141,675	52,237	37%
Unrestricted	526,219	318,757	207,462	65%
<b>Total net position</b>	<b>\$ 720,131</b>	<b>\$ 460,432</b>	<b>\$ 259,699</b>	<b>56%</b>

The assets of the School consist primarily of cash and cash equivalents and capital assets. Capital assets include school equipment as well as the purchase of real property and related renovation and improvement costs to the school facilities. Current liabilities consist primarily of accounts payable, construction costs payable and accrued wages payable. Long-term liabilities consist of the accumulated compensated absences liability, leases payable and long-term debt incurred to fund the acquisition, renovation and improvements of the new School facilities referenced above.

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 \$720,131 at the close of the current fiscal year and the unrestricted component of net position was \$526,219.

**MAGNOLIA MONTESSORI ACADEMY, INC.***A Charter School and Component Unit of the School District of Polk County, Florida***MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2023**

The key elements of the changes in the School's net position for the fiscal year ended June 30, 2023 and 2022 are as follows.

	<b>Governmental Activities</b>			
	<b>For the year ended</b>		<b>Change</b>	<b>% Change</b>
	<b>June 30, 2023</b>	<b>June 30, 2022</b>		
<b>Revenues:</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 484,478	\$ 354,813	\$ 129,665	37%
Operating grants and contributions	155,822	208,941	(53,119)	-25%
<i>General revenues:</i>				
State and local sources passed through local school district	1,287,024	1,018,733	268,291	26%
Other general revenues	72,087	58,134	13,953	24%
<b>Total revenues</b>	<b>1,999,411</b>	<b>1,640,621</b>	<b>358,790</b>	<b>22%</b>
<b>Expenses:</b>				
Instruction	1,267,975	991,308	276,667	28%
Student support services	20,245	20,195	50	0%
Instructional staff training services	3,093	1,368	1,725	126%
Governing board	10,039	14,336	(4,297)	-30%
School administration	302,658	216,183	86,475	40%
Food services	24,195	-	24,195	-----
Central services	24,258	20,312	3,946	19%
Operation of plant	192,933	223,137	(30,204)	-14%
Community services and other	56,386	20,009	36,377	182%
Interest on long-term debt	76,036	128,106	(52,070)	-41%
<b>Total expenses</b>	<b>1,977,818</b>	<b>1,634,954</b>	<b>342,864</b>	<b>21%</b>
Change in Net Position	<b>\$ 21,593</b>	<b>\$ 5,667</b>	<b>\$ 15,926</b>	

The School's total revenues were \$1,999,411 for 2023 compared to \$1,640,621 for 2022 while the total costs of all programs and services were \$1,977,818 in 2023 and \$1,634,954 in 2022. This resulted in an increase in net position of \$21,593 in 2023 compared to an increase of \$5,667 in 2022.

The largest revenue source for the School are the state and local funds received through the School District of Polk County, Florida (75% of total revenue in 2023 and 2022). Revenues from these state and local sources are primarily provided through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

Total revenue increased by \$358,790 or 22% mainly due to the following:

- State and local sources passed through the District increased by \$268,291 or 26% due to a 17% increase in student headcount (24 student increase) coupled with a 7% increase in per-student funding through the FEFP. The increase in the number of students is related to the addition of an eighth grade as a new grade level in 2022.

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2023**

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- Charges for services increased by \$129,665 or 37% due to a 24% increase in prekindergarten students and increased revenue from the aftercare program due to increased student participation.

Total expenses increased by \$342,864 or 21% mainly due to the following:

- Instructional expenses increased by \$276,667 or 28% mainly due to increased personnel costs (\$268,100 or 35%) due to wage rate increases and the hiring of additional teaching staff.
- School administration expenses increased by \$86,475 or 40% mainly due to increased personnel costs (\$72,900 or 37%) due to wage rate increases and the hiring of additional administrative staff.
- Interest on long-term debt decreased by \$52,070 or 41% due to payment of closing costs (\$66,102) in 2022 that did not recur in 2023.

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

Governmental Funds - As of June 30, 2023, the School's general fund reported a positive fund balance of \$562,217 which represents 28% of total expenditures for 2023. As of June 30, 2022, the School's general fund reported a positive fund balance of \$349,960 which represents 16% of total expenditures for 2022. The major changes in revenues and expenditures are covered above in the government-wide financial analysis.

**BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2023, 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, 2023, actual budgetary inflows were \$145,129 greater than the final amended budgeted amount and actual outflows were \$54,397 more than amended budgeted appropriations resulting in an overall favorable budget variance of \$90,732.

The budget was amended several times during the year to reflect changes in expected inflows and outflows. The amendments increased budgeted inflows by \$159,769 or 8% and increased budgeted outflows by \$224,814 or 13%.

The annual budgets are prepared on the modified accrual basis of accounting using the current financial resources measurement focus and used by the Board of Directors to monitor the school's progress towards meeting their financial objectives.

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2023**

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**CAPITAL ASSETS**

On June 30, 2023, the School had \$2,248,321 in capital assets, less accumulated depreciation of \$102,756, for net capital assets of \$2,145,565. Depreciation charges for the current fiscal year totaled \$59,244 (\$21,791 in the prior year). The net capital assets increased by \$42,114 during the current year. More information about the School’s capital assets is presented in the notes to financial statements.

**LONG-TERM LIABILITIES**

On June 30, 2023, the School’s long-term liabilities consisted of \$22,306 of unused compensated absences, \$5,153 of leases payable and \$1,944,092 of notes payable. The School’s total long-term liabilities decreased by \$6,428 during the current year due to normally scheduled principal payments on leases and notes payable partially offset by increases in compensated absences. More information about the School’s long-term liabilities 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. Enrollment is expected to increase in the 2023-2024 fiscal year. Kindergarten to eighth grade enrollment at the School was 170 students for the 2022-2023 school year enrollment is expected to be 175 students for the 2023-24 school year. Prekindergarten enrollment at the School averaged 47 for the 2022-23 school year and is expected to remain at that level in 2023-24.

**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. 815 S. Central Ave, Lakeland, FL 33815.

**MAGNOLIA MONTESSORI ACADEMY, INC.***A Charter School and Component Unit of the School District of Polk County, Florida*

## STATEMENT OF NET POSITION

June 30, 2023

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 732,501
Receivables, current:	
Intergovernmental	14,279
Capital assets:	
Non-depreciable	187,857
Depreciable, net	1,957,708
<b>TOTAL ASSETS</b>	<b>2,892,345</b>
<b>LIABILITIES</b>	
Accounts payable	3,772
Accrued wages payable	168,383
Construction payable	2,408
Unearned revenue - deposits	16,100
Unearned revenue - grants	10,000
Long-term liabilities:	
Due within one year	50,874
Due in more than one year	1,920,677
<b>TOTAL LIABILITIES</b>	<b>2,172,214</b>
<b>NET POSITION</b>	
Net investment in capital assets	193,912
Unrestricted	526,219
<b>TOTAL NET POSITION</b>	<b>\$ 720,131</b>

The accompanying notes are an integral part of these statements

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

STATEMENT OF ACTIVITIES

For the year ended June 30, 2023

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental activities:</b>					
Instruction	\$ 1,267,975	\$ 397,589	\$ 55,601	\$ -	\$ (814,785)
Student support services	20,245	-	-	-	(20,245)
Instructional staff training services	3,093	-	-	-	(3,093)
Governing board	10,039	-	-	-	(10,039)
School administration	302,658	-	-	-	(302,658)
Food services	24,195	23,579	-	-	(616)
Central services	24,258	-	-	-	(24,258)
Operation of plant	192,933	-	100,221	-	(92,712)
Community services and other	56,386	63,310	-	-	6,924
Interest on long-term debt	76,036	-	-	-	(76,036)
<b>Total governmental activities</b>	<b>\$ 1,977,818</b>	<b>\$ 484,478</b>	<b>\$ 155,822</b>	<b>\$ -</b>	<b>\$ (1,337,518)</b>
<b>GENERAL REVENUES:</b>					
					1,287,024
State and local sources passed through local school district					20,773
Investment income					51,314
Other general revenues					1,359,111
Total general revenues					21,593
<b>CHANGE IN NET POSITION</b>					
					460,432
NET POSITION, beginning of year					238,106
Restatement (Note 9)					698,538
NET POSITION, beginning - as restated					720,131
NET POSITION, end of year					

The accompanying notes are an integral part of these statements

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**BALANCE SHEET – GOVERNMENTAL FUNDS**

June 30, 2023

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	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 732,501
Receivables, current:	
Intergovernmental	14,279
<b>TOTAL ASSETS</b>	<b>\$ 746,780</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 3,772
Accrued wages payable	168,383
Construction costs payable	2,408
Unearned revenue	10,000
<b>TOTAL LIABILITIES</b>	<b>184,563</b>
<b>FUND BALANCE</b>	
Unassigned	562,217
<b>TOTAL FUND BALANCE</b>	<b>562,217</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS</b>	
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 746,780</b>

The accompanying notes are an integral part of these statements



**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2023

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

<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$ 562,217
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,145,565
Some unearned revenue of the governmental activities are not considered earned and therefore, while considered measurable and available and reported as revenue in the governmental funds, these revenues are reported as a liability in the governmental activities until earned.	(16,100)
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the governmental funds:	
Long-term debt	(1,944,092)
Leases payable	(5,153)
Compensated absences	(22,306)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 720,131</u>

The accompanying notes are an integral part of these statements

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**STATEMENT OF REVENUES, EXPENDITURES, AND**

**CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS**

For the year ended June 30, 2023

	<b>General Fund</b>
<b>REVENUES:</b>	
State and local sources:	
State and local sources passed through local school district	\$ 1,378,687
Pre kindergarten and aftercare fees	399,376
Contributions and other local sources	158,289
Total state and local sources	<u>1,936,352</u>
Federal sources:	
Federal sources passed through local school district	302,264
Total federal sources	<u>302,264</u>
Total revenues	<u>2,238,616</u>
<b>EXPENDITURES:</b>	
Current:	
Instruction	1,199,875
Student support services	20,245
Instructional staff training services	3,093
Governing board	10,039
School administration	286,370
Food services	24,195
Central services	24,258
Operation of plant	192,933
Community services and other	75,146
Capital outlay	101,638
Debt service:	
Principal	12,531
Interest	76,036
Total expenditures	<u>2,026,359</u>
<b>NET CHANGE IN FUND BALANCE</b>	212,257
<b>FUND BALANCE, beginning of year</b>	349,960
<b>FUND BALANCE, end of year</b>	<u>\$ 562,217</u>

The accompanying notes are an integral part of these statements

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**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, 2023**

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

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 212,257

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.

This is the amount of capital assets recorded in the current period.	101,638
This is the amount of depreciation expense recorded in the current period.	(59,244)
This is the book value of capital assets disposed in the current period.	(280)

Revenues not received within the "availability" period are not reported as revenues at the fund level and are recognized as revenue in the statement of activities.

This represents the change caused by the "availability" criterion (see Note 8)	(238,106)
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Deposits to secure positions in the pre kindergarten class provide current financial resources that are measurable and available and therefore are recognized as revenue in the governmental funds. In the statement of activities, these deposits are not recognized as revenue until the exchange takes place which is the date at which the deposit is applied to the pre kindergarten tuition requirement.

This is the amount of unearned revenue - deposits, reported as of June 30, 2022.	15,000
This is the amount of unearned revenue - deposits, reported as of June 30, 2023.	(16,100)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

This is the change in accrued compensated absences during the year.	(6,103)
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The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal paid on notes payable.	9,327
Principal paid on leases payable.	3,204

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 21,593

The accompanying notes are an integral part of these statements

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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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 School is reported as a discretely presented component unit of the District. The charter became effective on July 1, 2013 for an initial four-year term and has been renewed for a fifteen-year term ending June 30, 2032. 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 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 and Component Unit of the School District of Polk County, Florida*

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

**BASIS OF PRESENTATION (concluded)**

*Fund Financial Statements* - The fund financial statements provide detailed information about the School's most significant funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows, liabilities, deferred inflows, 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 and voluntary nonexchange transactions (donations and grants) 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, including lease liabilities and expenditures related to compensated absences 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. General capital asset acquisitions, including entering into contracts giving the School the right to use leased assets, are reported as expenditures. Issuance of long-term debt and financing through leases are reported as other financing sources.

**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.

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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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) until that time.

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.

**LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Loan issuance costs are reported as expense in the period incurred. Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

**INTEREST COSTS**

Interest costs are recognized as an expense in the period in which the costs are incurred. Interest costs are not capitalized as part of the historical cost of a capital asset.

**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.

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

**CAPITAL ASSETS**

In the government-wide statements, capital assets include land, buildings, furniture and equipment. Capital assets are defined as personal or real property or improvements with an individual 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. Such assets are recorded at historical cost and reported net of accumulated depreciation. Donated assets are recorded at acquisition value as of the date received. Other costs incurred for repairs and maintenance are expensed as incurred.

In the fund financial statements, capital assets used in governmental fund operations are accounted as capital outlay expenditures of the governmental fund upon acquisition.

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

	Years
Right to use leased equipment	3-20
Furniture and equipment	3-5
Buildings and improvements	40

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make use of estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ significantly from those estimates.

**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, 2020.

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

**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 2% administrative fee from the School, which is reflected as a central services expense / expenditure in the accompanying statement of activities and statement of revenues, expenditures and change in fund balance.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollments during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, the unspent portion is reflected as restricted net position and fund balance in the accompanying statements of net position and balance sheet - governmental fund, respectively. As of June 30, 2023, the School had no unspent capital outlay funds.

**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) *Investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- 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.
- 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.



**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

**EQUITY CLASSIFICATIONS**

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, 2023.
- 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, 2023.
- 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, 2023.
- 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 at June 30, 2023.
- 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 11.

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

**LEASES**

The School is a lessee for noncancellable lease of equipment. The School recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School recognizes lease liabilities with an initial, individual value of \$1,000 or more.

At the commencement of a lease, the School initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments.

- The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School is reasonably certain to exercise.

The School monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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**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 budget for the general fund is prepared on a cash basis which differs from the basis used for financial reporting purposes.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

The School's deposits are insured by the FDIC up to \$250,000 per financial institution.

The captions on the government-wide statement of net position for "cash and cash equivalents" are summarized below.

Cash and cash equivalents:

Cash deposits in financial institutions:

Insured or fully collateralized bank deposits	\$	119,437
State Board of Administration - local government pool		<u>613,064</u>

Total cash and cash equivalents	\$	<u><u>732,501</u></u>
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The types of investments in which the School may invest are governed by Section 218.415(17), Florida Statutes. The School has not adopted a formal investment policy, nor have they adopted a formal policy to address investment related risks.

The State Board of Administration (SBA) component of cash and cash equivalents is an investment with Florida PRIME, an investment pool administered by the SBA, under the regulatory oversight of the State of Florida. Florida PRIME meets all the necessary criteria to report their investments at amortized cost in accordance with GASB Cod. Sec. In5. As of June 30, 2023, there were no redemption fees, maximum transaction amounts or any other requirements that serve to limit the School's access to one hundred percent of their account value. Florida PRIME is rated AAAM by Standard and Poor's and the dollar weighted average days to maturity on June 30, 2023 is 37 days. The interest rate yield of the Florida PRIME investment was approximately 5.3% on June 30, 2023.

There were no investment securities maintained during the year.

**MAGNOLIA MONTESSORI ACADEMY, INC.***A Charter School and Component Unit of the School District of Polk County, Florida***NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 4 – CHANGES IN CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
<b>Governmental Activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 187,857	\$ -	\$ -	\$ 187,857
Total capital assets, not being depreciated	<u>187,857</u>	<u>-</u>	<u>-</u>	<u>187,857</u>
Capital assets, being depreciated:				
Right to use leased equipment	15,634	-	-	15,634
Buildings and improvements	1,892,174	71,809	-	1,963,983
Furniture and equipment	52,417	29,829	(1,399)	80,847
Total capital assets, being depreciated	<u>1,960,225</u>	<u>101,638</u>	<u>(1,399)</u>	<u>2,060,464</u>
Less accumulated depreciation for:				
Right to use leased equipment	(7,630)	(3,127)	-	(10,757)
Buildings and improvements	(15,933)	(49,095)	-	(65,028)
Furniture and equipment	(21,068)	(7,022)	1,119	(26,971)
Total accumulated depreciation	<u>(44,631)</u>	<u>(59,244)</u>	<u>1,119</u>	<u>(102,756)</u>
Total capital assets being depreciated, net	<u>1,915,594</u>	<u>42,394</u>	<u>(280)</u>	<u>1,957,708</u>
Governmental activities capital assets, net	<u>\$ 2,103,451</u>	<u>\$ 42,394</u>	<u>\$ (280)</u>	<u>\$ 2,145,565</u>

Depreciation expense was charged to the following programs and functions:

<b>Governmental Activities:</b>	
Instruction	\$ 3,545
School administration	3,150
Operation of plant	<u>52,549</u>
Total depreciation expense - governmental activities	<u>\$ 59,244</u>

**MAGNOLIA MONTESSORI ACADEMY, INC.***A Charter School and Component Unit of the School District of Polk County, Florida***NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 5 – CHANGES IN LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Amounts Due within One Year
<b><u>Governmental Activities:</u></b>					
Long-term liabilities:					
Notes payable					
Note payable 2022	\$ 1,950,000	\$ -	\$ (7,735)	\$ 1,942,265	\$ 47,467
Equipment purchase note 2022	3,419	-	(1,592)	1,827	1,682
Total notes payable	<u>1,953,419</u>	<u>-</u>	<u>(9,327)</u>	<u>1,944,092</u>	<u>49,149</u>
Leases payable	8,357	-	(3,204)	5,153	1,725
Compensated absences	16,203	6,103	-	22,306	-
Total long-term liabilities	<u>\$ 1,977,979</u>	<u>\$ 6,103</u>	<u>\$ (12,531)</u>	1,971,551	<u>\$ 50,874</u>
Less amounts due in one year				<u>(50,874)</u>	
Net long-term liabilities due after one year				<u>\$ 1,920,677</u>	

All the School's long-term debt arose through direct borrowings or direct placements.

**Note Payable 2022** – This note was issued on February 2, 2022 at an initial amount of \$1,700,000 and was used to refund the then outstanding debts issued to pay for School facility purchase and renovation costs and to provide \$263,200 of additional funding to the School to be used for facility renovations. The note was amended on May 24, 2022 increasing the loan amount by \$250,000 to \$1,950,000. The additional proceeds were used to purchase real property adjacent to the main school facilities. The note is secured by a first security interest in the school facilities. The note bears interest at 3.80% and required monthly interest-only payments until May 2023 then monthly principal and interest payments of \$10,139 until February 8, 2032 when the remaining amount of the loan will be due which is estimated to be \$1,467,000 assuming monthly normally scheduled debt service payments are made in the future.

In the event of default, the lender has the right to declare the entire indebtedness immediately due and payable and take whatever legal action necessary, including the appointment of a receiver, judicial foreclosure, or sale of property to collect the amounts due.

**Equipment Purchase Note 2022** – The school entered into a purchase agreement for the acquisition of a school-wide phone system in August 2021 for a note payable in the initial amount of \$4,802. The School is required to make monthly principal and interest payments of \$145 for thirty-six months for a maturity in August 2024.

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 5 – CHANGES IN LONG-TERM OBLIGATIONS** (concluded)

**Leases –**

- In 2018 and 2022 the School entered into a five-year lease agreement as lessee for the acquisition and use of two separate multifunction copiers. The School is required to make monthly principal and interest payments of \$151 under these leases. The lease agreements did not have an explicit interest rate and the School utilized their incremental borrowing rate of 5.5% as determined by the interest rate charged on a recent line of credit agreement issued to the School. The original cost basis of the right-to-use assets at the end of the current fiscal year was \$15,634 and has accumulated amortization of \$10,757. The equipment has a five-year estimated useful life.

**Unused Line of Credit** – The School has a line of credit at one of the financial institutions where it holds deposits. As of June 30, 2023, the unused line of credit was \$200,000.

**Maturities:** Annual requirements to repay all long-term debt as of June 30, 2023 are as follows:

<u>Fiscal Year Ending</u>	<u>Notes Payable</u>		<u>Leases Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 49,149	\$ 74,261	\$ 1,725	\$ 237
2025	49,677	72,138	1,667	147
2026	51,475	70,195	1,761	53
2027	53,494	68,176	-	-
2028	55,410	66,260	-	-
2029-2032	1,684,887	223,263	-	-
Total	<u>\$ 1,944,092</u>	<u>\$ 574,293</u>	<u>\$ 5,153</u>	<u>\$ 437</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, 2023 or the previous two years.

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, 2023, management was not aware of any legal actions or proceedings pending against the school.

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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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 – DEFINED CONTRIBUTION RETIREMENT PLAN**

The School has adopted an Internal Revenue Code Section 403(b) defined contribution retirement plan covering employees who have completed one full fiscal year as a full-time salaried employee or over 1,000 hours as an hourly employee. The plan's effective date is July 1, 2022. The plan is administered by the School and the assets of the plan are not considered part of the School's reporting entity. Employee contributions and earnings thereon are always 100% vested while employer contributions vest 33% per year with 100% vesting after the third fiscal year. Participation is mandatory, and the employee may elect to contribute up to the maximum allowable under the Internal Revenue Code. School contributions, including anticipated matching contributions, are determined by the Board of Directors generally at the end of the School fiscal year.

During 2023 the board of directors approved a nonelective contribution of 2% of employee compensation for all periods for which the employee would have been eligible to receive contributions as if the plan had been effective since the inception of the School. These contributions were based upon each employee's annual compensation for all eligible periods multiplied by the board approved rate of 2%. These contributions totaled \$86,363 and are accrued as a liability as of June 30, 2023 and paid to the plan in July 2023.

**NOTE 9 – RESTATEMENT**

During the year ended June 30, 2023, the School received \$238,106 of grant reimbursements pursuant to the Elementary and Secondary School Emergency Relief Fund Program passed through the District for which all eligibility requirements had been met as of June 30, 2022 but the reimbursement receivable/revenue was not recorded as of that date. This is an error that has been corrected by restating beginning net position by \$238,106. Beginning fund balance was not affected as the reimbursements were received outside of the availability period and are appropriately reported as a fund-level revenue for the year ended June 30, 2023.

**MAGNOLIA MONTESSORI ACADEMY, INC.***A Charter School and Component Unit of the School District of Polk County, Florida***NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 10 - CONCENTRATION OF REVENUE SOURCES**

The School's principal source of revenues is from the State of Florida passed through the District, which provided approximately 75% of total revenue for the year ended June 30, 2023. The following is a schedule of revenue sources and amounts for the year ended June 30, 2023.

<u>Sources</u>	<u>Amount</u>
School District of Polk County, Florida	
Base funding and supplemental academic instruction	\$ 880,751
Elementary and Secondary School Emergency Relief Fund	282,547
Class size reduction	166,593
Capital outlay	91,663
Discretionary local effort	61,060
Discretionary millage compression allocation	60,401
Teacher salary increase allocation	42,311
School recognition funds	26,981
Instructional materials allocation	14,220
Federal IDEA grant revenue	12,184
Safe schools	10,237
Total funds compression allocation	9,939
Reading allocation	8,846
Federal Title II grant revenue	5,856
Teacher supply program	4,830
Security grant	1,678
Proration to fund available	1,471
Prior year adjustments	(616)
Total revenue through the School District of Polk County, Florida	1,680,952
Other revenue:	
Preschool tuition and fees	336,066
Fundraisers	47,798
Lunch sales	23,579
Aftercare fees	63,310
Parent support fees	24,391
Miscellaneous revenue	15,727
Interest income	20,773
Donations	6,833
Field trips	19,187
Total revenue	\$ 2,238,616





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## **REQUIRED SUPPLEMENTARY INFORMATION**

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>RESOURCES (inflows):</b>				
State and local sources:				
State and local sources passed through local school district	\$ 1,248,000	\$ 1,327,275	\$ 1,354,429	\$ 27,154
Pre kindergarten and aftercare fees	356,000	373,000	399,376	26,376
Contributions and other local sources	73,700	96,769	139,529	42,760
Total state and local sources	<u>1,677,700</u>	<u>1,797,044</u>	<u>1,893,334</u>	<u>96,290</u>
Federal sources:				
Federal sources passed through local school district	213,000	301,225	302,264	1,039
Total federal sources	<u>213,000</u>	<u>301,225</u>	<u>302,264</u>	<u>1,039</u>
Total resources (inflows)	<u>1,890,700</u>	<u>2,098,269</u>	<u>2,195,598</u>	<u>97,329</u>
<b>CHARGES TO APPROPRIATIONS (outflows):</b>				
Current:				
Instruction	1,065,130	1,230,932	1,201,654	29,278
Student support services	11,000	20,500	20,245	255
Instructional staff training services	2,500	3,100	3,093	7
Governing board	11,000	10,000	10,039	(39)
School administration	246,600	296,838	287,766	9,072
Food services	2,000	2,000	24,195	(22,195)
Pupil transportation services	2,000	-	-	-
Operation of plant	269,000	313,200	296,720	16,480
Community services and other	-	57,200	56,386	814
Debt service	<u>94,900</u>	<u>94,900</u>	<u>83,243</u>	<u>11,657</u>
Total charges to appropriations (outflows)	<u>1,704,130</u>	<u>2,028,670</u>	<u>1,983,341</u>	<u>45,329</u>
<b>EXCESS (DEFICIENCY) OF RESOURCES OVER</b>				
<b>CHARGES TO APPROPRIATIONS</b>	<u>186,570</u>	<u>69,599</u>	<u>\$ 212,257</u>	<u>\$ 142,658</u>
Budgeted excess inflows	<u>(186,570)</u>	<u>(69,599)</u>		
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>		

**MAGNOLIA MONTESSORI ACADEMY, INC.**

*A Charter School and Component Unit of the School District of Polk County, Florida*

**NOTE TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

For the year ended June 30, 2023

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**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 \$ 2,195,598

Differences - budget to GAAP:

School District of Polk County, Florida's administration fee budgeted as a reduction in budgetary inflows rather than as a budgetary outflow 24,258

Community services - fieldtrip inflows are budgeted net of the associated outflows 18,760

Total revenue as reported on the statement of revenues, expenditures and change in fund balance \$ 2,238,616

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule \$ 1,983,341

Differences - budget to GAAP:

School District of Polk County, Florida's administration fee budgeted as a reduction in budgetary inflows rather than as a budgetary outflow 24,258

Community services - fieldtrip inflows are budgeted net of the associated outflows 18,760

Total expenditures as reported on the statement of revenues, expenditures and change in fund balance \$ 2,026,359



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## **OTHER REPORTS**

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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*

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 school and component unit of the School District of Polk County, Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 8, 2023.

**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 or significant deficiencies may exist that were not 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  
September 8, 2023



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 and component unit of the School District of Polk County, Florida, as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated September 8, 2023.

***Auditor's Responsibility***

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 and Chapter 10.850, Rules of the Auditor General.

***Other Reporting Requirements***

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 Standards*. Disclosures in this report, which is dated September 8, 2023, 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. There were no findings or recommendations made in the preceding annual financial audit report.

***Official Title***

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity is Magnolia Montessori Academy, Inc. of District 53 Polk, School 8005.

***Financial Condition and Management***

Sections 10.854(1)(e)2 and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 of the financial statements of the School, we determined that the School did not meet any of the specified conditions of a financial emergency described in Section 218.503(1), Florida Statutes.

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MANAGEMENT LETTER  
(concluded)

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied 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.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit we had no such recommendations.

***Transparency***

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to 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.

***Additional Matters***

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 had no such findings.

***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 agencies, 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  
September 8, 2023