

*South Broward Montessori Charter School Corp.
A Charter School and Component Unit of the
District School Board of Broward County, Florida*

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

Year Ended June 30, 2022

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of South Broward Montessori Charter School Corp.
*A Charter School and Component Unit of the
District School Board of Broward County, Florida*
Hallandale Beach, Florida

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of South Broward Montessori Charter School Corp (“the School”), a charter school and component unit of the District School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the South Broward Montessori Charter School Corp’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 School, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, the School adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

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 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, 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.

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 4–8 and 25-26 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 28, 2022, on our consideration of the School'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 solely 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 the effectiveness of the School's 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 School's internal control over financial reporting and compliance.



Boca Raton, FL
September 28, 2022

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Our discussion and analysis of the South Broward Montessori Charter School Corp’s (“the school”) financial program provides an overview of the school’s financial activities for the year ended June 30, 2022.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with the school’s financial statements which begin on page 9.

For financial statement purposes, the school is considered a component unit of the District School Board of Broward County, Florida, which is a primary government entity for financial reporting. The school has included separate statements for the Balance Sheet of Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds. The Fund Financial Statements reflect financing activities of the school by providing information on inflows and outflows of spendable resources, while the Statement of Net Position and the Statement of Activities provide information on the activities of the school.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the school’s financial position. Included in these statements are all assets and liabilities using the accrual method of accounting. All of the current year’s revenues and expenses are recorded when received.

The Statement of Net Position presents information on all of the school’s assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the school is improving or deteriorating.

The Statement of Activities presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Fund Financial Statements

A *Fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

Governmental Funds - All of the school’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the school’s governmental activities and the basic services it provides.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 15-23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the school's financial position. The school's assets exceeded liabilities by \$229,697 and \$238,389 at June 30, 2022 and June 30, 2021, respectively.

NET POSITION

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Current Assets	\$ 305,099	\$ 311,841	\$ (6,742)
Capital Assets	<u>203,292</u>	<u>18,746</u>	<u>184,546</u>
Total Assets	<u>\$ 508,391</u>	<u>\$ 330,587</u>	<u>\$ 177,804</u>
Current Liabilities	48,865	33,045	15,820
Non-current liabilities	<u>229,829</u>	<u>59,153</u>	<u>170,676</u>
Total Liabilities	\$ 278,694	\$ 92,198	\$ 186,496
Net Position			
Investments in Capital Assets	\$ 6,756	\$ 18,746	\$ (11,990)
Unrestricted	<u>222,941</u>	<u>219,643</u>	<u>3,298</u>
Total Net Position	<u>229,697</u>	<u>238,389</u>	<u>(8,692)</u>
Total Liabilities and Net Position	<u>\$ 508,391</u>	<u>\$ 330,587</u>	<u>\$ 177,804</u>

The increase in capital assets and non-current liabilities was the result of the School implementing GASB 87 – *Leases*. The School recorded an intangible right-to-use asset and corresponding lease liability to comply with the new standard. All operating leases are now reported on the statement of net position.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

<u>Revenue Sources</u>	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Federal passed through local schools	\$ 147,146	\$ 130,162	16,984
State passed through local school	1,293,531	1,284,237	9,294
Other revenue	<u>97,662</u>	<u>71,046</u>	<u>26,616</u>
Total	<u>\$ 1,538,339</u>	<u>\$ 1,485,445</u>	<u>\$ 52,894</u>

Revenues for governmental activities totaled \$1,538,339 and \$1,485,445 for the years ended June 30, 2022 and 2021, respectively. The main source of revenue was from the Florida Education Finance Program ("FEFP") and it represented approximately 78% and 80% of total revenue for the years ended June 30, 2022 and 2021, respectively. Other revenue increase was related to full year of aftercare along with student fees and fieldtrips.

Expenses for major functions of the school are shown in the following table:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Instruction	\$ 743,431	\$ 622,075	\$ 121,356
Instruction and curriculum development services	63,098	55,374	7,724
Instructional staff training	16,065	17,911	(1,846)
Board expenses	30,821	19,202	11,619
School administration	254,638	234,293	20,345
Fiscal services	4,781	4,457	324
Operation of plant	228,171	228,357	(186)
Maintenance of plant	139,123	119,613	19,510
Food service	81,423	37,607	43,816
Debt service	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,561,551</u>	<u>\$ 1,338,889</u>	<u>\$ 222,662</u>

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

FUND FINANCIAL ANALYSIS

Key highlights for the fiscal years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Revenue	\$ 1,538,339	\$ 1,485,445	\$ 52,894
Proceeds from long-term debt	-	-	-
Expenditures	<u>(1,575,420)</u>	<u>(1,372,834)</u>	<u>(202,586)</u>
Change in fund balance	(37,081)	112,611	(149,692)
Fund balance, beginning of year	278,796	166,185	112,611
Adjustment to net position	<u>14,519</u>	<u>-</u>	<u>14,519</u>
Fund balance, end of year	<u>\$ 256,234</u>	<u>\$ 278,796</u>	<u>\$ (22,562)</u>

CURRENT YEAR VS PRIOR YEAR RESULTS

The 2021-2022 school year was the ninth year that the school enrolled students. Total revenue was \$1,538,339 and \$1,485,445 for the years ended June 30, 2022 and 2021, respectively. The increase in revenue was primarily the result of increases in aftercare, student fees and funding from the lunch program. Total expenses were \$1,575,420 and \$1,372,834 for the years ended June 30, 2022 and 2021, respectively. The approximate \$203,000 increase in expenses is primarily attributable to the purchase of Montessori materials and an overall increase in instructional staff compensation.

BUDGETARY HIGHLIGHTS – GENERAL FUND

Actual revenue was approximately \$60,000 less than budgeted as the school received less FEFP and other state funding than what was budgeted for. Actual expenses were approximately \$49,000 more than budgeted. The School budgeted more than the actual expenses in the operation of plant and school administration functions, while the budget was less than actual amounts primarily in the areas of instruction and instruction and curriculum development functions and debt payments.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

NON-CURRENT LIABILITIES

As of June 30, 2022, the school had non-current liabilities outstanding in the amount of \$229,829 compared to \$49,940 as of June 30, 2021. During the year ended June 30, 2022, the School paid down some of the debt owed to its landlord for past due rent and a line of credit and there was a large increase in lease liability resulting from the implementation of GASB No. 87 – *Leases*.

PROSPECTS FOR THE FUTURE

The school's landlord is in early stages of obtaining a construction loan to build some additional buildings on campus which will lead to an increase in students. In addition, the school plans on leasing a new modular portable in the 2022/2023 school year to increase their space and enrollment. Lastly, the school removed the existing playground equipment in July 2022 and plans on purchasing new playground equipment through financing from the playground contractor.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the South Broward Montessori Charter School Corp's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to South Broward Montessori Charter School Corp, 520 N.W. 5th Street, Hallandale Beach, Florida 33009.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

**STATEMENT OF NET POSITION
JUNE 30, 2022**

		Governmental Activities
ASSETS		
Cash	\$	222,728
Inventory		71,505
Deposits		7,537
Accounts receivable		3,329
Capital assets, net		203,292
Total assets	\$	508,391
LIABILITES AND NET POSITION		
CURRENT LIABILITES		
Accounts payable and accrued expenses	\$	48,865
Total current liabilities		48,865
NON-CURRENT LIABILITIES		
Portion due within one year		
Notes payable		16,647
Lease obligatons		196,536
Portion due after one year		
Notes payable		16,646
Total non-current liabilities		229,829
Total liabilities		278,694
NET POSITION		
Investment in Capital Assets		6,756
Unrestricted		222,941
Total net position		229,697
Total liabilities and net position	\$	508,391

The accompanying notes are an integral part of these basic financial statements.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Program Revenues				Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets	
Governmental activities					
Instruction	\$ 743,431	\$ -	\$ 75,308	\$ -	\$ (668,123)
Instruction and curriculum development services	63,098	-	312	-	(62,786)
Instructional staff training	16,065	-	-	-	(16,065)
Board expenses	30,821	-	-	-	(30,821)
School administration	254,638	-	3,127	-	(251,511)
General	-	-	-	-	-
Fiscal services	4,781	-	-	-	(4,781)
Food services	81,423	-	65,458	-	(15,965)
Pupil transportation	-	-	-	-	-
Operation of plant	228,171	-	2,941	89,413	(135,817)
Maintenance of plant	139,123	-	-	-	(139,123)
Community services	-	46,883	-	-	46,883
Debt service	-	-	-	-	-
Total governmental activities	\$ 1,561,551	\$ 46,883	\$ 147,146	\$ 89,413	\$ (1,278,109)
General Revenues					
				1,207,478	
Grants and contributions not restricted to specific programs				1	
Investment earnings				47,419	
Miscellaneous revenues				1,254,898	
Total General Revenues				(23,211)	
Change in net position				238,389	
Net position July 1, 2021				14,519	
Adjustments to Net Position				\$ 229,697	
Net position June 30, 2022					

The accompanying notes are an integral part of these basic financial statements.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 222,728	\$ -	\$ 222,728
Inventory	71,505	-	71,505
Deposits	7,537	-	7,537
Due from Funds	3,329	-	3,329
Accounts receivable	-	3,329	3,329
Total Assets	<u>\$ 305,099</u>	<u>\$ 3,329</u>	<u>\$ 308,428</u>
LIABILITES			
Accounts payable and accrued expenses	\$ 48,865	\$ -	\$ 48,865
Due To funds	-	3,329	3,329
Total Liabilities	<u>48,865</u>	<u>3,329</u>	<u>52,194</u>
FUND BALANCES			
Nonspendable	79,042	-	79,042
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	177,192	-	177,192
Total Fund Balances	<u>256,234</u>	<u>-</u>	<u>256,234</u>
Total Liabilities and Fund Balances	<u>\$ 305,099</u>	<u>\$ 3,329</u>	<u>\$ 308,428</u>

The accompanying notes are an integral part of these basic financial statements.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Fund Balance - Governmental Funds	\$	256,234
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Governmental capital assets	\$ 546,967	
Less accumulated depreciation and amortization	<u>(343,675)</u>	203,292
<p>Debt proceeds and accrued interest are reported as financing sources in the general fund and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing note payables increases long-term liabilities and does not affect the Statement of Activities.</p>		
		<u>(229,829)</u>
Net Position of Governmental Activites	\$	<u><u>229,697</u></u>

The accompanying notes are an integral part of these basic financial statements.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
REVENUES			
Federal passed through local school district	\$ -	\$ 147,146	\$ 147,146
State passed through local school district	1,293,531	-	1,293,531
Interest income	1	-	1
Other revenue	97,661	-	97,661
	<u>1,391,193</u>	<u>147,146</u>	<u>1,538,339</u>
TOTAL REVENUES			
EXPENDITURES/EXPENSES			
Instruction	665,624	75,308	740,932
Instruction and curriculum development services	62,786	312	63,098
Instructional staff training	16,065	-	16,065
Board expenses	30,821	-	30,821
School administration	251,511	3,127	254,638
General	-	-	-
Fiscal services	4,781	-	4,781
Food services	15,965	65,458	81,423
Pupil transportation	-	-	-
Operation of plant	26,762	2,941	29,703
Maintenance of plant	139,123	-	139,123
Debt service			
Principal	214,836	-	214,836
Interest	-	-	-
Total expenditures	<u>1,428,274</u>	<u>147,146</u>	<u>1,575,420</u>
Expenses over Revenues	<u>(37,081)</u>	<u>-</u>	<u>(37,081)</u>
Net change in fund balance	(37,081)	-	(37,081)
Fund balances, July 1, 2021	278,796	-	278,796
Prior period adjustment	<u>14,519</u>	<u>-</u>	<u>14,519</u>
Fund balances, June 30, 2022	<u>\$ 256,234</u>	<u>\$ -</u>	<u>\$ 256,234</u>

The accompanying notes are an integral part of these basic financial statements.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2022**

Net change in fund balances - governmental funds	\$	(37,081)
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	-		
Less current year depreciation	<u>(200,966)</u>	<u>(200,966)</u>	

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds.

Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amount are deferred and amortized on the statement of activities.

Principal payments on long-term debt		<u>214,836</u>
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Change in Net Position of Governmental Activities	\$	<u><u>(23,211)</u></u>
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The accompanying notes are an integral part of these basic financial statements.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

South Broward Montessori Charter School Corp (“the School”) operates as a Charter School pursuant to a Charter School Contract (“the Contract”) with the School District of Broward County, Florida (“the District”). Under the Contract, the School provides an elementary school education to children who reside in Broward County. The governing body of the School is the Board of Directors.

The general operating authority of the School is under Florida Statutes 228.056(7) as a Charter School Contract with the School Board of Broward County, Florida. Under the Charter, the School provides education to children from kindergarten through the fifth grade in Broward County. The Charter Contract was renewed and is now effective through June 30, 2023.

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

2. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net position, are subdivided into three categories: amounts invested in capital assets, restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-Wide and Fund Financial Statements (continued)

Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

- Nonspendable fund balance - includes amounts that are not in a spendable form or are required to be maintained intact and that are not expected to be converted to cash.
- Restricted fund balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- Committed fund balance - includes amounts that can be used only for the specific purposes determined by a formal action of the school's highest level of decision-making authority. Commitments may be changed or lifted only by the school taking the same formal action that imposed the constraint originally.
- Assigned fund balance - comprises amounts intended to be used by the school for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- Unassigned fund balance - the residual classification for the general fund which includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-Wide and Fund Financial Statements (continued)

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of the School's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government - wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The school reports the following major governmental funds:

General Fund – the general operating fund of the school. It is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The School has a revenue spending policy that provides for programs with multiple revenue sources. The board of directors will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-city funds, city funds and funds passed through the District. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The board of directors has the authority to deviate from this policy if it is in the best interest of the School.

4. Budgetary Basis of Accounting

The School’s annual budgets are adopted for the entire operations for the School and may be amended by the Board of Directors (the “Board”). Since the budgetary basis differs from generally accepted accounting principles (“GAAP”), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis.

A reconciliation of revenues over expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

5. Cash

Cash is made up of cash on hand at the School and/or checking accounts held at a financial institution.

6. Capital Assets

Capital assets, which include property, plant and equipment and right-to-use leased assets, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. For the year ended June 30, 2022, the school recorded net capital assets of \$6,576.

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

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Computer equipment	5
Furniture and fixtures	7
Leasehold improvements	5
Right-to-use leased asset	2

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital Assets (continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

7. Revenue Sources

Revenues for current operations are received primarily from the State of Florida passed through the District to the School pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), 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 FTE students and related data to the Florida Department of Education (FDE) for funding through the Florida Education Finance Program (FEFP).

Funding for the School is adjusted during the year to reflect revised calculations by the FDE under the FEFP and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

9. Income Taxes

The School is a non-profit organization and is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Income taxes (continued)

The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The School's federal income tax returns for 2020-2022 remain subject to examination by major tax jurisdictions.

10. Inventory

Inventory consists of textbooks held for use in the course of the School's operations. Inventory is stated at cost, principally on a first-in first-out basis.

11. Recent accounting pronouncement

In June 201, the GASB issued Statement on the Governmental Accounting Standards Board (GASB) No. 87 – *Leases*. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirement of this statement are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The School adopted this statement for the year ended June 30, 2022. The adoption did not result in any changes to previously reported amounts of net position or fund balances. See Notes C and D for additional information about the School's leases.

NOTE B - CONCENTRATIONS

1. Revenue Sources

As stated in Note A-7, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts for the fiscal year ended June 30, 2022:

<u>Sources</u>	<u>Amounts</u>
State funding through local district	\$ 1,293,531
Federal passed through local school district	147,146
Other	<u>97,662</u>
	<u>\$ 1,538,339</u>

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE B – CONCENTRATIONS (continued)

2. Cash

Under Chapter 280, Florida Statutes, the School’s deposits must be placed in banks and savings and loans which are qualified as public depositories. The School maintains cash deposits at a bank in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer and collateral pool. As of June 30, 2022, there were no uninsured deposit balances.

NOTE C – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022 was as follows:

	Balance at June 30, <u>2021</u>	<u>Additions</u>	Adjustments and <u>Deletions</u>	Balance at June 30, <u>2022</u>
Capital assets depreciated and amortized:				
Computer equipment	\$ 39,340	\$ -	\$ -	\$ 39,340
Furniture and fixtures	72,889	-	-	72,889
Leasehold improvements	49,226	-	-	49,226
Right-to-use lease assets	<u>-</u>	<u>385,512</u>	<u>-</u>	<u>385,512</u>
Total assets depreciated and amortized	<u>\$ 161,455</u>	<u>\$ 385,512</u>	<u>\$ -</u>	<u>\$ 546,967</u>
Less accumulated depreciation and amortization				
Computer equipment	\$ 35,033	\$ 2,499	\$ -	\$ 37,532
Furniture and fixtures	67,964	4,925	-	72,889
Leasehold improvements	39,711	4,567	-	44,278
Right-to-use leased assets	<u>-</u>	<u>188,976</u>	<u>-</u>	<u>188,976</u>
Total accumulated depreciation and amortization	<u>\$ 142,708</u>	<u>\$ 200,967</u>	<u>\$ -</u>	<u>\$ 343,675</u>
 Total governmental activities Capital assets, net				 <u>\$ 203,292</u>

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.
A CHARTER SCHOOL AND COMPONENT UNIT
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE C – CAPITAL ASSETS (continued)

Depreciation expense of \$11,991 was charged to the instruction (\$2,499) and operation of plant (\$9,492) functions and amortization expense of \$188,976 was charged to operation of plant function for the year ended June 30, 2022.

As noted in the financial statements, the School adopted GASB 87 effective July 1, 2021 and recorded right-to-use lease assets for its premises.

NOTE D – NON-CURRENT LIABILITIES

The changes in the school’s long-term obligations for the year ended June 30, 2022 are as follows:

	Balance June 30, <u>2021</u>	Additions	Deletions	Balance June 30, <u>2022</u>	Amount due within 1 yr
Line of credit – related party Notes payable	\$ 9,213	\$ -	\$ 9,213	\$ -	\$ -
Third party	<u>49,940</u>	<u>-</u>	<u>16,649</u>	<u>33,293</u>	<u>16,647</u>
Total notes payable	<u>59,153</u>	<u>-</u>	<u>25,862</u>	<u>\$ 33,293</u>	<u>16,647</u>
Total long-term obligations	<u>\$ 59,153</u>	<u>\$ -</u>	<u>\$ 25,862</u>	<u>\$ 33,293</u>	<u>\$ 16,647</u>

Line of credit – related party

At June 30, 2022, the school had an unsecured revolving line of credit with a related party, the amount not to exceed \$120,000, maturing on June 30, 2021. Interest only payments are due monthly on the unpaid principal balance at a rate of 4.5% per annum. The outstanding balance on the line of credit at June 30, 2022 is \$0.

Note payable – landlord

At June 30, 2022, the School has a non-interest bearing note payable to a third party in the amount of \$33,293. The note payable represents the outstanding balance of unpaid rent and water usage for all rent prior to July 1, 2018. In accordance with the note payable agreement, monthly payments of \$1,387 with 0% interest are due to the third party and the required payments were made during the fiscal year ended June 30, 2022.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE D – NON-CURRENT LIABILITIES (continued)

Lease liability

The School established a lease liability for its premises at the beginning of the year for \$385,512. The School made payments of \$188,976 during the year which resulted in a lease liability of \$196,536 at June 30, 2022. Management used a 0% implicit interest rate and therefore no interest has been calculated.

The following table summarizes the School's future debt service as of June 30, 2022:

Year ending June 30:	Note payable <u>Principal</u>	Lease liability Principal
2023	\$ 16,647	\$ 196,536
2024	<u>16,646</u>	<u>-</u>
Total	<u>\$ 33,293</u>	<u>\$ 196,536</u>

NOTE E – COMMITMENTS AND CONTINGENCIES

The School receives most of its funding from the District through the Florida Education Finance Program (FEFP), which is based on the number of full-time equivalent (FTE) students attending the Center. The FTE count is subject to audit and if discrepancies are found, it could result in funds owed to the state or future decreases in funding. If any such errors were found, management has taken the position that any funds to be refunded would not be material to the School's net financial position.

In the normal course of conducting its operations, the School may become party to legal actions and proceedings. Management has determined that the ultimate resolution of such legal matters, if any, will not have a significant effect on the accompanying financial statements.

NOTE F – INVENTORY

The School has recorded its Montessori materials as inventory. These items have been used since the School opened and will continue to be used as they are the foundation for this specific teaching method. Management has determined that the inventory items maintain their value as they will be used in future years and the value at June 30, 2022 was \$71,505.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE G – RISK MANAGEMENT

The School is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School purchases commercial insurance for all material risks of loss to which the School is exposed, including general liability, property and workers compensation.

The School did not have any settlements that exceeded insurance coverage for the years ended June 30, 2020 – 2022.

NOTE H – PRIOR PERIOD ADJUSTMENT

The School reviewed its outstanding checks and determined they were duplicates and needed to be reversed. As a result, management recorded a prior period adjustment for \$14,519 in order to maintain accurate current year financial reporting.

NOTE I – COVID-19

The School's management is unable to determine the duration and extent of the financial impact that COVID-19 will have on the school.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 28, 2022, which is the date the financial statements became available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
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DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

	Original Budget	Final Budget	General Fund	Variance with Final Budget - Positive (Negative)
Revenues				
Federal passed through local school district	\$ -	\$ -	\$ -	\$ -
State passed through local school district	1,382,890	1,382,890	1,293,531	89,359
Investment earnings	-	-	1	(1)
Other revenue	66,750	66,750	97,661	(30,911)
Total revenues	1,449,640	1,449,640	1,391,193	58,447
Expenses				
Instruction	594,981	594,981	665,624	(70,643)
Instruction and curriculum development services	-	-	62,786	(62,786)
Instructional staff training	6,434	6,434	16,065	(9,631)
Board expenses	21,700	21,700	30,821	(9,121)
School administration	371,515	371,515	251,511	120,004
General	-	-	-	-
Fiscal services	4,600	4,600	4,781	(181)
Food services	-	-	15,965	(15,965)
Pupil transportation	-	-	-	-
Operation of plant	233,801	233,801	26,762	207,039
Maintenance of plant	111,800	111,800	139,123	(27,323)
Community services	17,546	17,546	-	17,546
Debt service				
Principal	16,646	16,646	214,836	(198,190)
Interest	-	-	-	-
Total expenses	1,379,023	1,379,023	1,428,274	(49,251)
Excess/(Deficit) of revenues over expenditures	\$ 70,617	\$ 70,617	(37,081)	\$ 107,698
Total Change in Fund Balance	70,617	70,617	(37,081)	107,698
Fund Balance, July 1, 2021	278,796	278,796	278,796	-
Fund Balance, June 30, 2022	\$ 349,413	\$ 349,413	\$ 241,715	\$ 107,698

The accompanying notes are an integral part of these basic financial statements.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
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DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Federal passed through local school district	\$ 120,533	\$ 120,533	\$ 147,146	\$ (26,613)
State passed through local school district	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	18,500	18,500	-	18,500
Total revenues	139,033	139,033	147,146	(8,113)
Expenses				
Instruction	22,533	22,533	75,308	(52,775)
Instruction and curriculum development services	49,000	49,000	312	48,688
Board expenses	-	-	-	-
School administration	-	-	3,127	(3,127)
Fiscal services	-	-	-	-
Food services	67,500	67,500	65,458	2,042
Pupil transportation	-	-	-	-
Operation of plant	-	-	2,941	(2,941)
Maintenance of plant	-	-	-	-
Interest	-	-	-	-
Total expenses	139,033	139,033	147,146	(8,113)
Revenues over Expenses	\$ -	\$ -	-	\$ -
Other Financing Sources				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Fund Balance, July 1, 2021	-	\$ -	\$ -	-
Fund Balance, June 30, 2022	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these basic financial statements.



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

To the Board Members of South Broward Montessori Charter School Corp.
*A Charter School and Component Unit of the
District School Board of Broward County, Florida*
Hallandale Beach, Florida

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 South Broward Montessori Charter School Corp., (“the School”, a nonprofit organization), a charter school and component unit of the District School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise South Broward Montessori Charter School Corp.’s basic financial statements and have issued our report thereon dated September 28, 2022.

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) as a basis for designing 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 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 School'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.

A handwritten signature in blue ink that reads "Guller Robinson CPA, LLP". The signature is written in a cursive style and is placed on a light blue rectangular background.

September 28, 2022
Boca Raton, Florida

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

Schedule of Current Year Findings and Responses

JUNE 30, 2022

Material Weaknesses

2022-01 – Material Adjusting Journal Entries

Criteria

The School has an internal policy whereby if there are changes made to any existing contracts or accounting policies, then they are to be discussed in detail with the outside accountant to ensure they are reviewed, approved and properly accounted for in the books and records of the School.

Condition

Effective for the fiscal year ended June 30, 2022, management changed teacher contracts from 20 to 24 pay periods. As a result, the School didn't record accrued wages, payroll taxes and benefits for July 2022 which resulted in a material audit adjustment to the financial statements.

Context

The material audit adjustment was noted through our testing of certain asset, liability and expenses/expenditures accounts.

Effect

Had we not recorded the material audit adjustment, the financial statements of the School would be materially misstated.

Cause

The School did not follow its policy to communicate with the outside accountant regarding the change in accounting for teacher contracts to ensure they are properly recorded and accounted for.

Recommendation

We recommend that the School follow its internal procedures to ensure that all changes made to any existing contracts or accounting policies be reviewed, approved and recorded on a timely basis with the outside accountant.

Views of Responsible Officials and Planned Corrective Actions

We discussed this finding with our third-party CPA and are in agreement that if we make changes to any existing contracts or accounting policies that we will be in direct contact with them to ensure the transaction is properly recorded.



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

To the Board of Directors of South Broward Montessori Charter School Corp, Florida,
a Charter School and Component Unit of the District School Board
of Broward County, Florida

Report on the Financial Statements

We have audited the financial statements of the South Broward Montessori Charter School Corp, Florida, as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated September 28, 2022.

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; 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 that report, which is dated September 28, 2022, 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 and 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 and the school code assigned by the Florida Department of Education of the entity are South Broward Montessori Charter School Corp and 5717.

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 South Broward Montessori Charter School Corp 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 South Broward Montessori Charter School Corp did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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 South Broward Montessori Charter School Corp. It is management's responsibility to monitor the South Broward Montessori Charter School Corp's financial condition, and our financial condition assessment was based in part on representations made by management and 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. See our Independent Auditors' Reports on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* for recommendations to improve financial management reported therein.

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 South Broward Montessori Charter School Corp 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 South Broward Montessori Charter School Corp 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 did not have any 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, applicable management, and District School Board of Broward County and is not intended to be and should not be used by anyone other than these specified parties.



September 28, 2022
Boca Raton, FL