

**SOUTH BROWARD MONTESSORI
CHARTERS SCHOOL CORP.**
(A Charter School and Component Unit of
The School Board of Broward County, Florida)

Basic Financial Statements
(With Independent Auditor's Report Thereon)

June 30, 2016

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.
(A Charter School and Component Unit of
The School Board of Broward County, Florida)

June 30, 2016

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General Information

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
The School Board of Broward County, Florida)

520 NW 5th Street
Hallandale, FL 33009

BOARD OF DIRECTORS (2015-2016)

Luis A. Parra, President
Margot I. Luque, Treasurer
Vanessa Havel, Director
LaVonja Chambers, Director

SCHOOL ADMINISTRATION

Elaine Padron, Principal

Independent Auditor's Report



Sanson, Kline, Jacomino, Tandoc & Gamarra, LLP
5805 Blue Lagoon Drive | Suite 220 | Miami, FL 33126
Tel: (305) 269-8633 | Fax: (305) 265-0652 | www.skjtg-cpa.com

Independent Auditor's Report

The Board of Directors
South Broward Montessori
Charter School Corp.:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and the major fund of the South Broward Montessori Charter School Corp. (the School), a charter school and component unit of The School Board of Broward County, Florida, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the School as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the budgetary comparison information on pages 20 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016 on our consideration of the School's internal control over financial reporting and 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 the 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 the School's internal control over financial reporting.

Sanson Kline Jacomine Landee & Hamarra, LLP

September 19, 2016

Management's Discussion and Analysis

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
The School Board of Broward County, Florida)

Management's Discussion and Analysis - Unaudited

June 30, 2016

This section of the South Broward Montessori Charter School Corp. (the School) financial statement presents management's analysis of the financial performance during the fiscal year that ended June 30, 2016. This discussion addresses whether or not the School as a whole is better off or worse off as a result of this year's activities.

Overview

The School is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes and the Florida Not-for-profit Act. The governing body of the School is the not-for-profit Board of Directors, which is composed of four 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 Board of Broward County, Florida (the District). The current charter expires on June 30, 2018 and is renewable for an additional term pursuant to law and/or by a mutual written agreement between the School and the District. The District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may terminate the charter if good cause is shown.

Financial Highlights

The assets of the School exceeded its liabilities at the close of its most recent fiscal year by \$35,350. Of this amount, \$86,068 was the net investment in capital assets, resulting in an unrestricted net deficit of \$50,718 available to meet the School's obligations.

At the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$85,690, a decrease of \$30,472 in comparison with the prior year.

Overview to the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

In addition, the School reports, as required supplementary information, a budget to actual comparison and note to the required supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business (i.e. economic resources and measurement focus).

The statement of 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.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
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Management's Discussion and Analysis - Unaudited

June 30, 2016

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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 7 and 8 of this report.

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. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The only active fund of the School during the current fiscal year is is categorized as a governmental fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintained only one individual governmental fund during fiscal year 2016. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The basic governmental fund financial statements can be found on pages 9 through 12 of this report.

Notes to the Basic Financial Statements

The notes 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 basic financial statements can be found on pages 13 through 19 of this report.

Budgetary Highlights

The School adopts an annual budget on an individual fund basis. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget on page 20 of this report.

There were significant variances between the original budget and the final budget for the Florida Education Finance Program revenues and the facilities acquisition expenditures, whereby the original budgeted amounts were higher, and were subsequently reduced in the final amended budget.

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Management's Discussion and Analysis - Unaudited

June 30, 2016

There were significant variances between the final budget and actual amounts reported for school administration expenditures and facilities acquisition expenditures, whereby the actual amounts expended exceeded the final amended budgeted amounts.

Financial Analysis

Government-Wide Analysis

Our analysis of the financial statements of the School begins below. The Statement of Net Position and the Statement of Activities report information about the School's activities that will help answer questions about the position of the School. A comparative analysis is provided below.

Table A-1
Summary of Net Position

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>
Current assets	\$ 156,712	\$ 80,277
Capital assets, net	<u>86,068</u>	<u>160,461</u>
Total assets	<u>242,780</u>	<u>240,738</u>
Total current liabilities	71,022	14,273
Total noncurrent liabilities	<u>136,408</u>	<u>202,613</u>
Total liabilities	<u>207,430</u>	<u>216,886</u>
Net position:		
Net investment in capital assets	86,068	160,461
Unrestricted (deficit)	<u>(50,718)</u>	<u>(136,609)</u>
Total net position	\$ <u>35,350</u>	\$ <u>23,852</u>

- Total current liabilities (i.e. accounts payable and accrued expenses) increased from the prior year mainly as a result of payments made subsequent to year end for products/services received prior to year end.
- Total noncurrent liabilities decreased from the prior year as a result of principal payments made on the long-term debt throughout the year.

Table A-2
Summary of Changes in Net Position

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>
Total expenses	\$ 953,955	\$ 794,725
Less: total program revenues	<u>42,727</u>	<u>143,465</u>
Net program expense	(911,228)	(651,260)
Total general revenues	<u>922,726</u>	<u>803,911</u>
Change in net position	\$ <u>11,498</u>	\$ <u>152,651</u>

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Management’s Discussion and Analysis - Unaudited

June 30, 2016

- Total general revenues, specifically the revenues from the Florida Education Finance Program, increased from the prior year as result of the increase in student enrollment.
- Total expenses increased from the prior year as result of the increase in payroll expenses, which is a direct result of the increase in student enrollment.

Individual Fund Analysis

The fund balance for the General Fund decreased from \$116,162 at June 30, 2015 to \$85,690 at June 30, 2016. The decrease is mainly due to the principal payments made on long-term debt throughout the year in the amount of \$115,350, netted against proceeds from long-term debt in the amount of \$49,145.

Capital Assets

As of June 30, 2016, the School’s net investment in capital assets amounted to \$86,068, decreasing from \$160,461 as of June 30, 2015.

Summary of Capital Assets

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>
Leasehold improvements	\$ 26,390	\$ 26,640
Furniture and fixtures	72,889	75,460
Computer equipment	<u>33,722</u>	<u>80,617</u>
Total capital asset	133,001	182,717
Less accumulated depreciation	<u>46,933</u>	<u>20,256</u>
Total capital assets, net	\$ <u>86,068</u>	\$ <u>160,461</u>

Additional capital asset information can be found on page 17 of this report.

Debt Management

As of June 30, 2016, the School had debt outstanding in the amount of \$136,408 compared to \$202,613 as of June 30, 2015. Total proceeds from and principal payments on long-term debt during the fiscal year ended June 30, 2015 were \$49,145 and \$115,350, respectively.

Additional long-term debt information can be found on pages 17 and 18 of this report.

Requests for Information

This financial report is designed to provide a general overview of the School’s finances, as well as demonstrate accountability for funds the School receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Luis Parra at the School located at 520 NW 5th Street, Hallandale Beach, FL 33009.

Basic Financial Statements

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
The School Board of Broward County, Florida)

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash	\$ 7,173
Due from other government	70,497
Inventory	71,505
Deposits	<u>7,537</u>
Total current assets	<u>156,712</u>
Capital assets:	
Leasehold improvements	26,390
Furniture and fixtures	72,889
Computer equipment	<u>33,722</u>
Total capital assets	133,001
Less accumulated depreciation	<u>46,933</u>
Total capital assets, net	<u>86,068</u>
Total assets	<u>242,780</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	<u>71,022</u>
Noncurrent liabilities:	
Due within one year:	
Notes payable	84,900
Due in more than one year:	
Line of credit - related party	31,606
Notes payable	<u>19,902</u>
Total noncurrent liabilities	<u>136,408</u>
Total liabilities	<u>207,430</u>
Net Position	
Net investment in capital assets	86,068
Unrestricted (deficit)	<u>(50,718)</u>
Total net position	<u>\$ 35,350</u>

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

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
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Statement of Activities

For the Year Ended June 30, 2016

	<u>Program Revenues</u>			Net Revenue
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	(Expense) and
Functions/Programs		<u>Services</u>	<u>Grants and</u>	Changes in Net
			<u>Contributions</u>	<u>Position</u>
Governmental Activities:				
Instructional	\$ 473,585	\$ 42,727	\$ -	\$ (430,858)
Board	23,224	-	-	(23,224)
School administration	253,978	-	-	(253,978)
Facilities acquisition	116,731	-	-	(116,731)
Fiscal services	2,287	-	-	(2,287)
Operation of plant	18,437	-	-	(18,437)
Maintenance of plant	41,370	-	-	(41,370)
Food Service	(856)	-	-	856
Interest on long-term debt	3,116	-	-	(3,116)
Unallocated depreciation	<u>22,083</u>	<u>-</u>	<u>-</u>	<u>(22,083)</u>
Total governmental activities	<u>\$ 953,955</u>	<u>\$ 42,727</u>	<u>\$ -</u>	<u>\$ (911,228)</u>
General Revenues:				
Florida Education Finance Program (FEFP)				\$ 906,218
Contributions				<u>16,508</u>
Total general revenues				<u>922,726</u>
Change in net position				11,498
Net position - beginning of year				<u>23,852</u>
Net position - end of year				<u>\$ 35,350</u>

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

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
The School Board of Broward County, Florida)

Balance Sheet

Governmental Funds

June 30, 2016

	<u>General Fund</u>
Assets	
Cash	\$ 7,173
Due from other government	70,497
Inventory	71,505
Deposits	<u>7,537</u>
Total assets	<u>\$ 156,712</u>
Liabilities and Fund Balances	
Accounts payable and accrued expenses	<u>\$ 71,022</u>
Fund balances:	
Nonspendable for:	
Inventory	71,505
Deposits	7,537
Unassigned	<u>6,648</u>
Total fund balances	<u>85,690</u>
Total liabilities and fund balances	<u>\$ 156,712</u>

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

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
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Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2016

Total fund balance - governmental funds	\$	85,690
Amounts reported for governmental activities in the statement of net position consist of:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		86,068
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Line of credit - related party		(31,606)
Notes payable		<u>(104,802)</u>
Total net position - governmental activities	\$	<u>35,350</u>

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

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
The School Board of Broward County, Florida)

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year ended June 30, 2016

	<u>General Fund</u>
Revenues:	
State and local sources	\$ 948,945
Contributions	<u>16,508</u>
Total revenues	<u>965,453</u>
Expenditures:	
Current:	
Instructional	473,585
Board	18,630
School administration	253,978
Facilities acquisition	116,731
Fiscal services	2,287
Operation of plant	18,437
Maintenance of plant	41,370
Food Service	(856)
Capital outlay	2,442
Debt service:	
Principal	115,350
Interest	<u>3,116</u>
Total expenditures	<u>1,045,070</u>
Deficiency of revenues under expenditures	<u>(79,617)</u>
Other financing sources:	
Proceeds from long-term debt	<u>49,145</u>
Total other financing sources	<u>49,145</u>
Net change in fund balance	(30,472)
Fund balance - beginning of the year, as restated	<u>116,162</u>
Fund balance - end of the year	<u><u>\$ 85,690</u></u>

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

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
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Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2016

Net change in fund balance - total governmental funds \$ (30,472)

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

The governmental funds reported capital outlays as expenditures,
however, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives and reported as depreciation

Expenditures for capital assets	2,442
Depreciation expense	(22,083)
Adjustment for prior year's depreciation overage	(4,594)

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.

Proceeds from long-term debt	(49,145)
Principal payments on long-term debt	<u>115,350</u>
Change in net position - governmental activities	<u>\$ 11,498</u>

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

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
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Notes to Basic Financial Statements

June 30, 2016

1. Summary of Significant Accounting Policies

This summary of the South Broward Montessori Charter School Corp. (the School) significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The policies are considered essential and should be read in conjunction with the basic financial statements.

The accounting policies of the School conform to accounting principles generally accepted in the United States of America applicable to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

The School is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes and the Florida Not-for-Profit Act. The governing body of the School is the not-for-profit Board of Directors, which is composed of four 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 Board of Broward County, Florida (the District). The current charter expires on June 30, 2018 and is renewable for an additional term pursuant to law and/or by a mutual written agreement between the School and the District. The District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may terminate the charter if good cause is shown. The School is considered a component unit of the District and meets the definition of a governmental entity under the GASB accounting guidance.

The School is located in Hallandale, Florida for the students from kindergarten through fifth grades. These financial statements are for the year ended June 30, 2016, when approximately 130 students were enrolled for the school year.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. 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 the 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.

B. Reporting Model

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The School does not have any business-type activities.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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Notes to Basic Financial Statements

June 30, 2016

1. Summary of Significant Accounting Policies (continued)

B. Reporting Model (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The School reports only one major governmental fund, the General Fund. The General Fund is the School's primary operating fund, which accounts for all financial resources of the general government, except those required to be accounted for in another fund. The School, in the past, has also utilized, a Special Revenue Fund for the proceeds of specific revenue sources, such as Federal grant program resources and capital outlay that are legally restricted to expenditures for specified purposes. There was no activity in the Special Revenue Fund for the fiscal year ended June 30, 2016.

C. 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 recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resource measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Due from Other Government

Amounts due to the School by other governments are for grants or programs under which the services have been provided by the School.

E. Inventory

Inventory consist 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.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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Notes to Basic Financial Statements

June 30, 2016

1. Summary of Significant Accounting Policies (continued)

F. Capital Assets

Capital assets are defined by the School as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets, buildings and improvements are capitalized as projects are constructed or improvements are made.

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

<u>Assets</u>	<u>Years</u>
Leasehold improvements	15
Furniture and fixtures	7
Computer equipment	5

G. Net Position and Fund Balance Classifications

Net position

The government-wide financial statements utilize a net position presentation. Net position can be categorized into three components:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net position* – results when constraints placed on the use of the net position are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – consists of the remaining net position that does not meet the previously listed criteria.

Fund balance

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent, as follows:

- *Nonspendable* – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – amounts that are restricted to specific purposes when constraints placed on the use of resources are either by (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- *Committed* – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the board of directors of the School.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
The School Board of Broward County, Florida)

Notes to Basic Financial Statements

June 30, 2016

1. Summary of Significant Accounting Policies (continued)

G. Net Position and Fund Balance Classifications (continued)

- *Assigned* – amounts that are constrained by the School's intent to be used for specific purposes, but are neither restricted nor committed. Assignments can be made by an official or body which the board of directors of the School has delegated the authority at their direction.
- *Unassigned* – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purpose within the general fund.

When both restricted and unrestricted amounts are available for use, it is the School's practice to use restricted resources first. Additionally, the School would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance.

H. Revenue Sources

Revenue for 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, Florida Statutes, the School will report 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 (the FDOE) for funding through the Florida Education Finance Program (the FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted FTE students reported by the School during the designated FTE student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for the prior year errors disclosed by its review, as well as to prevent statewide allocations from exceeding the amount authorized by the Florida Legislature. Normally, such adjustments are treated as a reduction in the year the adjustment is made.

A significant reduction of this revenue source, if it were to occur, could have an adverse impact on the School's ability to continue its operations in the long-term.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

J. Income Taxes

The School qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As a result, no income tax provision or liability has been provided in the accompanying financial statements. As of June 30, 2016, the School does not believe it has any uncertain tax positions that would result in the School having a liability to a taxing authority. The School is subject to federal and state income tax examinations for the tax years 2013 through 2014, generally three years from the date the returns are filed. However, the Organization is not aware of any on-going examinations.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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Notes to Basic Financial Statements

June 30, 2016

2. Cash Deposits

The School's cash at June 30, 2016 consist of demand deposits with a carrying and bank balance of \$7,173.

Custodial credit risk

Custodial Credit Risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. In addition to insurance provided by the Federal Deposit Insurance Corporation (FDIC), deposits are held in banking institutions approved by the State of Florida, State Treasurer to hold public funds. Under the Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

3. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Transfers / Additions	Transfers / Deletions	Balance June 30, 2016
Capital assets, being depreciated:				
Leasehold improvements	\$ 80,617	-	(46,895)	33,722
Furniture and fixtures	75,460	692	(3,263)	72,889
Computer equipment	<u>24,640</u>	<u>1,750</u>	<u>-</u>	<u>26,390</u>
Total capital assets, being depreciated	180,717	2,442	(50,158)	133,001
Less accumulated depreciation	<u>20,256</u>	<u>22,093</u>	<u>4,584</u>	<u>46,933</u>
Total capital assets (net of accumulated depreciation)	<u>\$ 160,461</u>	<u>(19,651)</u>	<u>(54,742)</u>	<u>86,068</u>

During fiscal year 2016, depreciation expense in the amount of \$22,083 was not allocated to any specific function/program on the statement of activities.

4. Long-Term Obligations

The changes in the School's long-term obligations for the year ended June 30, 2016 are as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Amount due within one year
Line of credit – related party	\$ <u>46,787</u>	<u>16,700</u>	<u>(31,881)</u>	\$ <u>31,606</u>	<u>-</u>
Notes payable:					
Related party	74,000	32,445	(49,600)	56,845	56,845
Third party	<u>81,826</u>	<u>-</u>	<u>(33,869)</u>	<u>47,957</u>	<u>28,055</u>
Total notes payable	<u>155,826</u>	<u>32,445</u>	<u>(83,469)</u>	<u>104,802</u>	<u>84,900</u>
Total long-term obligations	<u>\$ 202,613</u>	<u>49,145</u>	<u>(115,350)</u>	<u>136,408</u>	<u>84,900</u>

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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Notes to Basic Financial Statements

June 30, 2016

4. Long-Term Obligations (continued)

Line of credit – related party

At June 30, 2016, the School has an unsecured revolving line of credit with a related party in the amount not to exceed \$120,000, maturing on June 30, 2018, with an option to renew and extend for an additional three year term. 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, 2016 is \$31,606.

Note payable – related party

At June 30, 2016, the School has a non-interest bearing note payable to a related party in the amount of \$56,845, and is due on demand.

Note payable – third party

At June 30, 2016, the School has a non-interest bearing note payable to a third party in the amount of \$47,957, maturing on June 1, 2018. The note payable represents the outstanding balance of unpaid rent and water usage for the months of September 2013 to May 2014 on the School's facility lease. In accordance with the note payable agreement, monthly payments are due in the amount of \$2,338.

5. Prior Period Adjustment

At the prior fiscal year ended June 30, 2015, inventory and deposits were reported as assets at the government-wide level, but were reported as expenditures at the fund level. Such amounts should have been reported as assets at the fund level, not as expenditures. Also in the prior fiscal year, certain capital outlay were reported as expenditures at the fund level, and reported as assets at the government-wide level. However, such capital assets were never received, and subsequent reimbursement to the School was made. As such, a prior period adjustment has been made to restate beginning fund balance in the General Fund as follows:

Fund balance, beginning of year, as originally reported	\$ (13,038)
Prior period adjustment for:	
Inventory	71,505
Deposits	7,537
Capital outlay	<u>50,158</u>
Fund balance, beginning of year, as restated	<u>\$ 116,162</u>

6. Facility Operating Lease

As of June 30, 2016, the School was obligated under a non-cancelable operating lease agreement for its education facility, which commenced on June 15, 2013 and expires on June 15, 2018. The approximate future minimum lease payments under the non-cancelable operating lease agreement are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2017	\$ 187,896
2018	190,616

Facilities rent expense for the year ended June 30, 2016 totaled \$116,731, respectively.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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Notes to Basic Financial Statements

June 30, 2016

7. Risk Management

The School is exposed to various risks of losses related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance for the risks of loss to which it is exposed. Policy limits and deductibles are reviewed by management and established at amounts to provide reasonable protection from significant financial loss. There were no losses or claims incurred during the current fiscal year, and there were no settlements that exceeded insurance coverage during the past three fiscal years.

8. Commitment and Contingencies

The School participates in state grant programs, which are governed by various rules and regulations of grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2016 may be impaired.

Management believes that the School is in material compliance with the rules and regulations governing the respective grants.

9. New Pronouncements Issued and Implemented

The School implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, during the current year, which has no financial impact to the School. The objective of this statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles.

10. Subsequent events

The School evaluated subsequent events through September 19, 2016 the date the financial statements were available to be issued.

Required Supplementary Information

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
The School Board of Broward County, Florida)

Budgetary Comparison Schedule - General Fund
(Required Supplementary Information - Unaudited)

For the year ended June 30, 2016

	<u>Budgeted amounts</u>			Variance - positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(negative)</u>
Revenues:				
State revenues:				
Florida Education Finance Program	\$ 1,080,000	\$ 900,000	\$ 906,218	\$ 6,218
Local revenues:				
Aftercare	54,000	60,000	42,727	(17,273)
Contributions and other revenues	-	12,000	16,508	4,508
Total revenues	<u>1,134,000</u>	<u>972,000</u>	<u>965,453</u>	<u>(6,547)</u>
Expenditures:				
Current:				
Instructional	442,700	447,000	473,585	(26,585)
Board	42,900	42,900	18,630	24,270
School administration	194,500	178,000	253,978	(75,978)
Facilities acquisition	163,945	85,488	116,731	(31,243)
Fiscal services	2,400	2,400	2,287	113
Operation of plant	22,750	22,750	18,437	4,313
Maintenance of plant	15,000	12,000	41,370	(29,370)
Food Service	-	12,000	(856)	12,856
Capital outlay	20,000	12,000	2,442	9,558
Debt service:				
Principal	49,859	49,859	115,350	(65,491)
Interest	-	-	3,116	(3,116)
Total expenditures	<u>954,054</u>	<u>864,397</u>	<u>1,045,070</u>	<u>(180,673)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>179,946</u>	<u>107,603</u>	<u>(79,617)</u>	<u>174,126</u>
Other financing sources:				
Proceeds from long-term debt	-	-	49,145	49,145
Total other financing sources	<u>-</u>	<u>-</u>	<u>49,145</u>	<u>49,145</u>
Net change in fund balnce	<u>\$ 179,946</u>	<u>\$ 107,603</u>	<u>(30,472)</u>	<u>\$ 223,271</u>
Fund balance - beginning of the year			<u>116,162</u>	
Fund balance - end of the year			<u>\$ 85,690</u>	

The note to the required supplementary information is an integral part of this schedule.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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Note to Required Supplementary Information

June 30, 2016

1. Budgetary Policy

Consistent with Florida Statutes and U.S. generally accepted accounting principles, the School adopts an annual budget using the modified basis of accounting for the General Fund and all other major funds, as applicable. Budgetary control is maintained at the object level (e.g., salaries and benefits, purchased services, materials and supplies, and capital outlay). Budgets can only be amended with the approval of the Board of Directors.

Other Reports



Sanson, Kline, Jacomino, Tandoc & Gamarra, LLP
5805 Blue Lagoon Drive | Suite 220 | Miami, FL 33126
Tel: (305) 269-8633 | Fax: (305) 265-0652 | www.skjtg-cpa.com

**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***

The Board of Directors
South Broward Montessori
Charter School Corp.:

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 the major fund of the South Broward Montessori Charter School Corp. (the School) as of and for the year ended June 30, 2016, 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 19, 2016.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings as item 2016-1 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-2 to be a significant deficiency.

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*.

School's Response to Findings

The School's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Sanson Kline Jacomina Landae & Hamarra, LLP

September 19, 2016

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
The School Board of Broward County, Florida)

Schedule of Findings and Responses

June 30, 2016

2016-1 – Material Adjusting Journal Entries

Criteria

Procedures should be in place to ensure that all transactions are properly reviewed, approved and recorded.

Condition

We recommended and reported a number of material audit adjustments to the School's accounting related to incorrect classifications, recording of accruals, and adjustments to a certain account balances. We also noted other classification errors that were not material, and therefore, we did not recommend any adjustments to those accounts.

Context

The material audit adjustments were noted through our testing of certain asset, liability, revenues, and expenses/expenditures accounts.

Effect

Had we not recommended (and recorded) the material audit adjustments, the financial statements of the School would be materially misstated.

Cause

Transactions were not properly reviewed, approved and recorded.

Recommendation

We recommend that the School retain a full-time bookkeeper or accountant that is familiar with generally accepted accounting principles for governmental entities. We also recommend that the School implement internal control procedures to ensure that all transactions are properly reviewed, approved and recorded.

Views of Responsible Officials and Planned Corrective Actions

The Board of the School has decided to hire a more experienced bookkeeper, as recommended by the auditor, to make sure that all the controls are in place that are required. We want to do our due diligence in making sure that we are in compliance with any and all financial duties that are put upon us going forward into the next school year.

2016-2 – Improper Year-end Cut-Off

Criteria

Expenses/expenditures should be recorded in the period in which the corresponding goods or services were received.

Condition

We observed checks that were written in June 2016, but weren't posted until July 2016. This was discovered when we noted that the monthly bank reconciliations were being performed on a cash basis, and therefore, there were no reconciling differences between cash reported on the general ledger and cash reported in the bank.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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Schedule of Findings and Responses

June 30, 2016

We also noted that the rent for June 2015 was recorded as an expense in July 2015 (i.e. it was not properly accrued in the prior fiscal year ended June 30, 2015), and that the rent for June 2016, which was recorded as an expense in July 2016, was not properly accrued at June 30, 2016.

Context

The findings was noted during our testing of disbursements and accounts payables.

Effect

Improper year end cut-off of expenditures would result in material misstatement of those related balances.

Cause

Disbursements were not properly recorded and cut-off procedures were not performed.

Recommendation

We recommend that the School implement internal control procedures to ensure that all disbursements are posted when the check is written, not when the check clears the bank. In doing this, the School will have reconciling differences when preparing their monthly bank reconciliations. We also recommend that the School implement internal control procedures to evaluate and record year-end accruals for all accounts payable and accrued expenses.

Views of Responsible Officials and Planned Corrective Actions

We agree with the finding and will implement the recommendations.



Sanson, Kline, Jacomino, Tandoc & Gamarra, LLP
5805 Blue Lagoon Drive | Suite 220 | Miami, FL 33126
Tel: (305) 269-8633 | Fax: (305) 265-0652 | www.skjtg-cpa.com

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

The Board of Directors
South Broward Montessori
Charter School Corp.:

Report on the Financial Statements

We have audited the financial statements of the South Broward Montessori Charter School Corp. (the School) as of and for the fiscal year ended June 30, 2016, and have issued our report dated September 19, 2016.

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 Florida Auditor General.

Other Report

We have issued 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*. Disclosures in that reports, which is dated September 19, 2016, 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 that the name or official title of the entity. The official title of the entity is South Broward Montessori Charter School Corp.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of
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Schedule of Findings and Responses

June 30, 2016

Pursuant to Sections 10.854(1)(i)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.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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

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

Purpose of this Letter

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

Sanson Kline Jacqueline Landes & Hamarra, LLP

September 19, 2016