

**SOUTH BROWARD MONTESSORI
CHARTER 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, 2015

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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

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**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 (2014 – 2015)

Luis A Parra, President
Vanessa Havel, Director
Christopher Henry, Director
Margot I. Luque, Director

SCHOOL ADMINISTRATION

Elaine Padron, Principal

Independent Auditor's Report

To the Board of Directors of the
South Broward Montessori Charter School Corp.
A Charter School and Component Unit of The
School Board of Broward County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information 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, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the School, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance 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 and budgetary comparison information on pages 3 through 6, and 24, respectively, 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 29, 2015 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 and compliance.

Grant, Stewart-Heron, LLC

Tamarac, Florida
September 30, 2015

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, 2015

The corporate officers of the South Broward Montessori Charter School, Inc. (the 'School') have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2015.

Financial Highlights

1. The net position of the School at June 30, 2015 was \$61,852.
2. At year-end, the school had current assets on hand of \$1,235.
3. The net position of the School increased by \$190,651 during the year.
4. The unassigned fund balance at year end was (\$136,609).

Overview of the Financial Statement

The discussion and analysis are intended to serve as introduction to the School's basic financial statement. The School's Financial Statements for the year ended June 30, 2015 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) Government – wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statement themselves.

Government – Wide Financial Statement

The government – wide financial are designed to provide readers with a broad overview of the School's finances, in a manner similar to private sector business.

The Statement of Net Position present information on all of the School's assets, deferred outflows of resources, liabilities, deferred inflows of resources. The difference between the four is reported as net position. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School in improving or deteriorating.

The Statement of Activities present information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some item that will only result in cash flows in future fiscal periods.

The government –wide financial statement can be found on pages **7 - 8** of this report.

Fund Financial Statement

A “fund” is collection of related account grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local government uses fund accounting to ensure and report compliance with finance-related legal requirement.

All of the funds of the School are government funds. Government Funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. Government Fund financial statements, however, focus on near –term inflow and outflows of spendable resources, as well as on the balance of spendable resources which are available at the end of the fiscal year . Such information may be used to evaluate a government’s requirement for near-term financing. The Board of the School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School’ budget.

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

Notes to Financial Statements

The notes to the financial statement 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 13 – 23 of this report.

GOVERNMENT –WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school’s financial position. In the case of the School, assets exceeded liabilities by \$23,852 at the close of the fiscal year. A summary of the School’s net position as of June 30, 2015 is as follows:

	<u>2015</u>
Cash and cash equivalents	\$ 1,235
Capital assets, net	160,461
Other Assets	<u>79,042</u>
Total Assets	<u>\$ 240,738</u>
Accounts Payables and Accrued Expenses	2,795
Accounts Payable – Related Party	11,478
Line of Credit – Related Party	46,787
Notes Payable – Related Party	36,000
Notes Payable - Third Party	<u>81,826</u>
Total Liabilities	178,886
Net position	
Invested in capital assets, net of related debt	160,461
Unrestricted	<u>(136,609)</u>
Total Net Position	<u>\$ 23,852</u>

Accomplishments

In 2015 the school successfully completed its second year of operation. The school did not receive a school grade letter due to the fact that the school started with kindergarten, first and second. The community and mayor of Hallandale have a vested interest in seeing South Broward Montessori Charter School continue to flourish because of the rehabilitation project that has been implemented for the community. There are many students in the surrounding areas that could benefit from a Montessori Charter School that normally would not be able to afford in a private sector. The focus of the administration and board is to continue to grow and make South Broward Montessori Charter School a place that is safe, nurturing, and give each student the education that they deserve.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with generally accepted accounting standards and to ensure fiscal responsibility.

Government Funds

The focus of the School's *government fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the Broward County School District.

At the end of the fiscal year, the School's governmental general fund reported a small fund deficit of (\$13,038).

Capital Assets

The School's investment in capital assets as of June 30, 2015 amounts to \$160,461 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment. This investment in capital assets includes improvements, furniture, fixtures and computer equipment. As of June 30, 2015, the School had no long-term debt associated to its capital assets.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for the governmental fund to demonstrate compliance with the School's budget. See page 24 for budgetary results.

Request for Information

This Financial report is intended to provide a general overview of the finances of the Charter School, as well as demonstrate accountability for funds the Charter School receives. Questions concerning any of the information provided in this report, or requests for additional information may be addressed to Mr. Luis Parra at South Broward Montessori Charter School 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, 2015

Current Assets:

Cash	\$ 1,235
	<u>1,235</u>

Capital Assets:

Leasehold improvements	24,640
Furniture and fixtures	75,460
Computer equipment	80,617
Less: Accumulated depreciation	<u>(20,256)</u>
	<u>160,461</u>

Inventory - textbooks	71,505
Security deposits	<u>7,537</u>
Total Assets	<u>240,738</u>

Liabilities:

Current liabilities:

Accounts payable and accrued expense	2,795
Accounts payable - Related party	11,478
Line of credit - Related party	46,787
Notes payable	
Related party	74,000
Third party	<u>81,826</u>
Total Liabilities	<u>216,886</u>

Net Position

Invested in capital assets, net of related debt	160,461
Unrestricted (deficit)	<u>(136,609)</u>
Total Net Position	<u>\$ 23,852</u>

The accompanying notes are an integral part of this financial statement.

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, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
<u>Assets</u>			
Current Assets:			
Cash	\$ 1,235		\$ 1,235
Total Assets	<u>1,235</u>	<u>-</u>	<u>1,235</u>
<u>Liabilities:</u>			
Accounts payable and accrued expenses	9,919		9,919
Accounts payable - Related party	4,354	-	4,354
Total Liabilities	<u>14,273</u>	<u>-</u>	<u>14,273</u>
<u>Fund Balance</u>			
Spendable - Unassigned	(13,038)	-	(13,038)
Total Fund balance	<u>(13,038)</u>	<u>-</u>	<u>(13,038)</u>
Total Liabilities and Fund Balance	<u>\$ 1,235</u>	<u>\$ -</u>	<u>\$ 1,235</u>

The accompanying notes are an integral part of this financial statement.

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

**Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position
 For the Year Ended June 30, 2015**

Total fund balances - governmental funds	\$ (13,038)
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

The cost of capital assets are \$180,717, and the accumulated depreciation is \$20,256.	160,461
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Non-current assets are not financial resources and, therefore, are not reported as assets in the governmental funds. Non-current assets are year-end consist of:

Inventory	71,505
Security deposits	7,537

Line-of-credit, is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(46,787)
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Note payable, is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(155,826)
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Total net position - governmental activities	<u>\$ 23,852</u>
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The accompanying notes are an integral part of this financial statement.

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 Balance –
Governmental Funds
For the Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Activities</u>
Revenues			
Federal sources passed through local school district	\$ -	\$ 281,186	\$ 281,186
State and local sources	585,380	-	585,380
Contributions and other revenues	80,810	-	80,810
Total revenues	<u>666,190</u>	<u>281,186</u>	<u>947,376</u>
Expenditures			
Current:			
Instructional	336,330	72,344	408,674
Board	28,156	33,647	61,803
School administration	154,420	24,553	178,973
Facilities acquisition	85,488	-	85,488
Fiscal services	2,462	-	2,462
Operation of plant	20,328	-	20,328
Maintenance of plant	14,305	-	14,305
Food services	11,600	-	11,600
Capital outlay	12,725	150,642	163,367
Debt Service:			
Principal	33,074	-	33,074
Total expenditures	<u>698,888</u>	<u>281,186</u>	<u>980,074</u>
Excess (Deficiency) of revenue over expenditures	<u>(32,698)</u>	<u>-</u>	<u>(32,698)</u>
Net changes in fund balances	(32,698)	-	(32,698)
Fund balance at beginning of year	<u>19,660</u>	<u>-</u>	<u>19,660</u>
Fund balance at end of year	<u>(13,038)</u>	<u>-</u>	<u>(13,038)</u>

The accompanying notes are an integral part of this financial statement.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015**

Net changes in fund balances - total governmental funds \$ (32,698)

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

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the costs of those
assets is allocated over their useful lives.

Current year expenditures for Capital Assets	113,337
Current year Depreciation Expense	(11,092)

Non-current assets are expenditures in the governmental funds.
Non-current assets at year end consist of:

Inventory	50,030
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Some expenses reported in the statement of activities do not
require the use of current financial resource and, therefore, are
not reported as expenditures in governmental funds.

Net change short-term debt - related parties	(66,876)
Net change revolving line-of-credit	99,950

Change in net position - governmental activities \$ 152,651

The accompanying notes are an integral part of this financial statement.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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

**Notes to Financial Statements
June 30, 2015**

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The South Broward Montessori Charter School Corp (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 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 charters expiration. During the term of the charter, the District may terminate the charter if good cause is shown.

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, 2015, when approximately ninety (90) students were enrolled for the school year.

Basis of presentation

The School's accounting policies conform to generally accepted accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The Government-wide financial statements include the statement of net position and the statement of activities. These statements report information for the School as a whole. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds. Any internal inter-fund activity has been eliminated from the government-wide financial statements.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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

**Notes to Financial Statements
June 30, 2015**

Note 1 – Summary of Significant Accounting Policies (continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include (1) charges for services, such as aftercare; (2) operating grants, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not properly included with program revenues are reported as general revenues.

New Accounting Pronouncements

The School implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" in 2014. GASB 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. Deferred outflow of resources represent consumption of resources that is applicable to future reporting periods that will be reported in a separate section after assets. Deferred inflows of resources represent acquisition of resources that is applicable to future reporting periods that will be reported in a separate section after liabilities. This change was incorporated in the Schools financial statements; however, there was no effect on the beginning net position/fund balance.

Additionally, the School implemented GASB Statement No. 65, "*Items previously reported as Assets and Liabilities*". GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This change was incorporated in the Schools financial statements; however, there was no effect on beginning net position/fund balance.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

(A Charter School and Component Unit of The
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**Notes to Financial Statements
June 30, 2015**

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds, even though fiduciary funds are not included in the government-wide financial statements. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. Major individual governmental funds are reported as separate columns in the fund financial statements.

General Fund – is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

Special Revenue Fund – accounts for specific revenue, such as Federal grant program resources and capital outlay that are legally restricted to expenditures for particular purposes.

The remaining governmental funds are reported in the aggregate.

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

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

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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

Notes to Financial Statements

June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. The Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditure in the year due.

Agency fund assets and liabilities are accounted for on the accrual basis of accounting.

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (for example, salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (for example, instruction, pupil transportation, personnel services and school administration). Revisions to the annual budget are approved by the Board.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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

**Notes to Financial Statements
June 30, 2015**

Note 1 – Summary of Significant Accounting Policies (continued)

Cash

All of the School's bank deposits are insured by the Federal Deposit Insurance Corporation or collateralized in accordance with Florida Security for Public Deposits Act (the "Act"). Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50% to 125% depending upon the depository's financial condition and the length of time that the depository has been established.

Inter-fund Transfers

Outstanding balances between funds are reported as "due to/from other funds". Inter-fund transfers are made to move any excess or shortage of funds derived from the Special Revenue Fund to the General Fund.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School. At June 30, 2015, there were no amounts due from other governments or agencies.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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

Notes to Financial Statements

June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Leasehold improvements	15 years
Furniture and fixtures	7 years
Computer equipment	5 years

Inventory

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

Compensated Absences

GASB Codification C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefit years.

The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and employee, there is no accrual for such days.

Non-current Liabilities

Non-current obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund.

Net Position and Fund Balance Classifications

- a) Restricted net position – consists of balances with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- b) Unrestricted net position – all other net position that do not meet the definitions of “restricted” or “investment in capital assets”.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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

Notes to Financial Statements

June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position and Fund Balance Classifications

Fund financial statements

Under GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

- a) Non-spendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
- b) Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School’s Board of Directors. There are no committed fund balances at year end.
- d) Assigned – fund balance classification are intended to be used by the School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned – fund balance is residual classification for the Schools general fund and includes all spendable amount not contained in the other classifications.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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

Notes to Financial Statements

June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue Sources

Revenues for operations will be 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 full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through 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 full-time equivalent students reported by the School during the designated full-time equivalent 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 Legislature. Normally, such adjustments are treated as a reduction in the year the adjustment is made.

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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

**Notes to Financial Statements
June 30, 2015**

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Income Taxes

The South Broward Montessori Charter School Corp., qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. The School's income tax returns for tax years 2013 through 2014 are subject to examination by the authorities, and may change upon examination.

Note 2 – Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets				
Leasehold improvements	\$ 18,890	\$ 5,750	\$ -	\$ 24,640
Furniture and fixtures	29,799	45,661	-	75,460
Computer equipment	18,691	61,926	-	80,617
Total capital assets	<u>67,380</u>	<u>113,337</u>	<u>-</u>	<u>180,717</u>
Accumulated depreciation				
Leasehold improvements	(1,169)	(1,326)	-	(2,495)
Furniture and fixtures	(4,257)	(4,779)	-	(9,036)
Computer equipment	(3,738)	(4,987)	-	(8,725)
Total accumulated depreciation	<u>(9,164)</u>	<u>(11,092)</u>	<u>-</u>	<u>(20,256)</u>
Capital assets, net	<u>\$ 58,216</u>	<u>\$ 102,245</u>	<u>\$ -</u>	<u>\$ 160,461</u>

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

Notes to Financial Statements
June 30, 2015

Note 3 – Line-of-Credit

The School has a revolving line of credit agreement with an individual related party. The total amount of the line of credit is \$120,000, with interest payable at 4.50% per annum. If the amount used is repaid within 30 days, no interest is due. The amount available is \$34,787 and the balance outstanding at June 30, 2015 is \$46,787.

Note 4 – Note Payable

The school received a non-interest bearing loan from a board member during the year. At June 30, 2015, the outstanding balance of the debt is \$74,000.

The school has a note payable to a third party with a balance of \$81,826 at June 30, 2015. The school signed an agreement to pay the outstanding balance of unpaid rent and water usage for the months of September 2013 to May 2014. The agreement was renegotiated during the year and expires June 1, 2018. Monthly payments under the new agreement are approximately \$2,338 for 35 months commencing July 1, 2015.

Note 5 – Facility Lease

The School entered into a five (5) year non-cancelable operating lease for its educational facility beginning in June 15, 2013, through June 15, 2018. The total facility rental expense for the fiscal year ended June 30, 2015 was \$85,488. Future minimum lease payments as of June 30, 2015, are as follows:

Year ended June 30,	Amount
2016	\$ 88,055
2017	90,696
2018	<u>93,416</u>
Total	<u>\$ 272,167</u>

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

Notes to Financial Statements
June 30, 2015

Note 6 – Risk Management

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in the current period and previous year.

Note 7 – Commitments and Contingent Liabilities

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, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2015, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 8 – Funding and Credit Risk Concentrations

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

Note 9 – Legal Matters

In the normal course of conducting its operations, the School may occasionally become party to various legal actions and proceedings. The School has no legal actions or pending proceedings in progress.

Note 10 – Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 29, 2015, which is the date the financial statements were available to be issued. Student enrolment at the school totaled approximately 90 students at June 30, 2015. Subsequent to year end, enrollment increased to 130 students.

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 and Special Revenue Fund

For the Year Ended June 30, 2015

	BUDGETED		Actual Amounts	Variance with Final Budget	BUDGETED		Actual Amounts	Variance with Final Budget
	Original	Final			Original	Final		
State Revenues								
Florida Education Finance Program	\$ 691,608	\$ 660,000	\$ 585,380	\$ 74,620				
Federal sources passed through local school district				-	\$ 175,000.00	\$ 303,613	\$ 281,186	22,427
Local Revenue								
Aftercare	32,592	27,000	12,921	14,079				-
Contributions and other revenues	19,711	3,600	67,889	(64,289)				-
Total revenues	743,911	690,600	666,190	24,410	175,000	303,613	281,186	22,427
Expenditures								
Current:								
Instructional	320,380	355,860	336,330	19,530	167,500	27,891	72,344	(44,453)
Board	46,448	2,400	28,156	24,900	-	-	33,647	(33,647)
School administration	134,489	136,675	154,420	(17,745)	7,500	25,325	24,553	772
Facilities acquisition	85,490	71,655	85,488	(13,833)	-	13,833		13,833
Fiscal services	21,411	2,400	2,462	(62)	-	-		-
Pupil transportation	150	-	-	-	-	-		-
Operation of plant	14,713	22,200	20,328	1,872	-	-		-
Maintenance of plant	3,941	9,000	14,305	(5,305)	-	-		-
Food services	-	12,000	11,600	400	-	-		-
Capital outlay	-	6,000	12,725	(6,725)	-	236,564	150,642	85,922
Line-of-credit repayment	-	5,040	33,074	(28,034)	-	-		-
Total expenditures	627,022	623,230	698,888	(25,002)	175,000	303,613	281,186	22,427
Net change in fund balance	116,889	67,370	(32,698)	100,068	-	-	-	-
Fund balance (Deficit), July 1, 2014	(24,966)	(24,966)	19,660	(44,626)				-
Fund balance (Deficit), June 30, 2015	\$ 91,923	\$ 42,404	\$ (13,038)	\$ 55,442	\$ -	\$ -	\$ -	\$ -

Note to Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors of the
South Broward Montessori Charter School Corp.
A Charter School and Component Unit of The
School Board of Broward County, 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 major fund of the School (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, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 29, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Grant, Stewart-Heron, LLC

Tamarac, Florida
September 30, 2015

Management Letter

To the Board of Directors of the
South Broward Montessori Charter School Corp.
A Charter School and Component Unit of The
School Board of Broward County, Florida

Report on Financial Statements

We have audited the financial statements the South Broward Montessori Charter School Corp. (the School) as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated September 29, 2015.

Auditor's Responsibility

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

Other Reporting Required by Government Auditing Standards

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosure in those reports and schedule, which are dated September 29, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Finding 2014 -1 Overdue Rent

Status: Updated

Management has been paying its current rent as it comes due and renegotiated the agreement to pay the prior amounts owed.

2014 – 2 Net Position

Status: Updated

Management no longer has a deficit net position. The number of students increased during the year and management was able to substantially reduce the deficit.

Financial Condition

Section 10.854(1)(e)2 and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the 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 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.

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

Transparency

Section 10.854(1)(e)7, and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine 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 substantially all the information specified in Section 1002.33(9)(p), Florida Statutes on its website.

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 contract or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)5. Rules of the Auditor General, requires the name or official title of the school.

The official title of the School is the South Broward Montessori Charter School Corp.

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 Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Grant, Stewart-Heron, LLC

Tamarac, Florida
September 30, 2015