

May Sands Montessori School, Inc.

A Charter School and Component Unit of
the Monroe County District School Board

Basic Financial Statements
For the Year Ended June 30, 2021



May Sands Montessori School, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
May Sands Montessori School, Inc.
A Charter School and Component Unit of the
Monroe County District School Board

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of May Sands Montessori School, Inc. (the "School"), a component unit of the Monroe County District School Board, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, as listed in the table of contents, 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 October 13, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 13, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS



The May Sands Montessori School, Inc (the "School") earned the distinction of being the first public charter school in Monroe County, Florida, established in 1997. Operating in Key West, the School offers an educational curriculum and program design that is authentically grounded in Montessori pedagogy. Over the years, the School has expanded its offerings to include four program levels: a primary (VPK and kindergarten) program, a lower elementary program (grades 1-3), an upper elementary program (grades 4-6), and an early secondary program (grades 7 & 8). Students in grades three through eight participate in state mandated assessments, yearly, in accordance with the School's public charter status. The School continues to be designated a High Performing public charter school by the Florida Commissioner of Education.

Our discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2021, with certain comparative information for 2020. Please read it in conjunction with the School's basic financial statements which immediately follow this discussion.

Overview of the Basic 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: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements: The government-wide financial statements, which consist of the statement of net position and the statement of activities, are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the School's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the School's financial position is improving or deteriorating. However, as a governmental entity, the School's activities are not geared toward generating profit as are the activities of commercial entities. Other factors such as the safety at the School and quality of education must be considered in order to reasonably assess the School's overall performance.

The statement of activities presents information showing how the School's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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 has only one (1) category of funds - governmental funds.

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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the School's near-term financing requirements.

May Sands Montessori School, Inc.
Management's Discussion and Analysis
June 30, 2021

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 School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

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.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's adopted budget to actual results.

Government-Wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of financial position. The following table presents a comparative analysis of the condensed government-wide statements of net position:

May Sands Montessori School, Inc.			
Net Position			
	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>	<u>Variance</u>
Assets:			
Current assets	\$ 921,690	\$ 573,905	\$ 347,785
Capital assets, net of depreciation	<u>84,065</u>	<u>95,049</u>	<u>(10,984)</u>
Total assets	<u>1,005,755</u>	<u>668,954</u>	<u>336,801</u>
Liabilities:			
Current liabilities	15,627	22,563	(6,936)
Noncurrent liabilities	<u>211,800</u>	<u>215,900</u>	<u>(4,100)</u>
Total liabilities	<u>227,427</u>	<u>238,463</u>	<u>(11,036)</u>
Net Position:			
Net investment in capital assets	84,065	95,049	(10,984)
Unrestricted	<u>694,263</u>	<u>335,442</u>	<u>358,821</u>
Total net position	<u>\$ 778,328</u>	<u>\$ 430,491</u>	<u>\$ 347,837</u>

Current and other assets increased due to the increase in the cash balances compared to prior year. Capital assets, net of depreciation, decreased as a result of depreciation expense.

A portion of the School's net position reflects its investment in capital assets. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Resources that are subject to external restrictions on how they may be used are classified as restricted net position. As of June 30, 2021 and 2020, the School had no restricted net position. The remaining unrestricted balance may be used in any of the School's ongoing operations.

**May Sands Montessori School, Inc.
Management's Discussion and Analysis
June 30, 2021**

Government-Wide Financial Analysis (continued)

The following table presents comparative information of the condensed government-wide statements of changes in net position:

May Sands Montessori School, Inc. Change in Net Position			
	June 30, 2021	June 30, 2020	Variance
Revenues:			
General revenues	\$ 1,570,478	\$ 1,216,393	\$ 354,085
Program revenues:			
Charges for services	288	16,347	(16,059)
Operating grants and contributions	17,610	-	17,610
Total revenues	1,588,376	1,232,740	355,636
Expenses:			
Regular instruction	764,271	822,964	58,693
Instructional support services	18,921	60,045	41,124
School administration	356,105	398,954	42,849
Rent for facility	48,233	48,233	-
After school expenses	8	1,459	1,451
Central services	5,484	5,605	121
Operating and maintenance of plant	47,517	48,727	1,210
Total expenses	1,240,539	1,385,987	145,448
Change in net position	\$ 347,837	\$ (153,247)	\$ 501,084

- Total revenues increased due to the forgiveness of our Paycheck Protection Program (PPP) loan, funds from the American Rescue Plan, Elementary and Secondary School Emergency Relief (ESSER) funds, Voluntary Pre-Kindergarten (VPK) funding, two disbursements of Technology Refresh funds from the Monroe County School District, and Teacher Salary Increase Allocation (TSIA) funds from the legislative result of House Bill 641 (HB641).
- Operating grants and contributions increased due to the resumed fundraising efforts as well as procurement of the Cornelia T Bailey Grant.
- Expenses decreased due to the reduction of instructional personnel (two teachers, one classroom) as well as a reduction of school support personnel (school nurse) and a new hire of administrative personnel that replaced a more senior member.

Financial Analysis of the School's Funds

As noted earlier, the School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the School's governmental funds 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.

As of the end of fiscal year 2020/2021 the School's governmental funds reported ending fund balance of \$ 906,063. The fund balance unassigned and available for spending at the School's discretion is \$ 903,045. These funds will be available for the School's future ongoing operations. The fund balance increased by \$ 354,721.

Budgetary Highlights

Safely Returning to School, Primary Program Expansion

The 2021 school year began in an unprecedented manner, due to the ongoing pandemic; instructional personnel developed personalized, handmade kits for students in preparation for a blended method of instructional delivery. The school provided in-person as well as synchronous online learning, giving priority for in-person instruction to students at school personnel, those with identified needs, and vulnerable populations (special education, economically disadvantaged and homeless). The school implemented strategies to protect the health and safety of students and staff while on campus. One intervention to mitigate the spread of COVID-19 included students remaining in cohorts, which prevented the school from offering its after-school programming. In October, a teacher suddenly resigned due to family matters and the Principal Administrator took over the daily responsibilities of the classroom. Despite the challenges, school personnel worked diligently together to support the successful operation of services for the school year. Formal approval of the school's expansion to include Voluntary Prekindergarten took place in December, which was one of the highlights of the school year. In March, the Director of Development successfully procured a grant to expand arts programming at the school. Eventually, the majority of students returned to campus for instruction, and the school year ended with the traditional moving-up and graduation ceremony.

Vision for School Year 2022

The May Sands Montessori School relies on a steadfast commitment from its parents, staff, and community partners to protect the future of Montessori public education in Key West. The continued engagement of all stakeholder groups on school improvement is a priority. While enrollment has grown slightly over the last year, the school must continue working on an actionable plan of improvement that will address programming and the expansion of its facilities along with recruiting and retaining capable personnel.

Capital Assets and Debt Administration

As of June 30, 2021, the School had an investment in capital assets of \$ 84,065, net of accumulated depreciation, compared to \$ 95,049 at June 30, 2020.

At June 30, 2021, the School had outstanding debt of \$ 211,800, compared to \$ 215,900 in outstanding debt as of June 30, 2020.

Economic Factors

Facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations of the School in fiscal year 2020/2021 include the following:

- The 2021/2022 school year represents the 23rd year of operations of the School. Our past has shown that we can continue to operate a high performing school providing quality education for our students, within the School-based revenues. We have also been fortunate to have a strong business community and involved parents that participate in fundraising activities for school improvements.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest. If you should have any questions pertaining to the information presented in this report or would like additional information, please contact the administration of May Sands Montessori School, Inc. at 1400 United Street, Key West, FL 33040.

BASIC FINANCIAL STATEMENTS



May Sands Montessori School, Inc.
Statement of Net Position
June 30, 2021

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 918,657
Due from other governments	15
Prepaid items	<u>3,018</u>
Total current assets	<u>921,690</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>84,065</u>
Total assets	<u>1,005,755</u>
Current Liabilities:	
Accounts payable	13,400
Unearned revenue	<u>2,227</u>
Total current liabilities	<u>15,627</u>
Noncurrent Liabilities:	
Notes payable - due in more than one year	<u>211,800</u>
Total noncurrent liabilities	<u>211,800</u>
Total liabilities	<u>227,427</u>
Net Position:	
Net investment in capital assets	84,065
Unrestricted	<u>694,263</u>
Total net position	<u>\$ 778,328</u>

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

May Sands Montessori School, Inc.
Statement of Activities
For the Year Ended June 30, 2021

	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position
Functions/Programs:					
Instructional services	\$ 611,202	\$ -	\$ 17,610	\$ -	\$ (593,592)
Exceptional student education	153,069	-	-	-	(153,069)
Pupil personnel services	10,551	-	-	-	(10,551)
Instructional and curriculum services	7,076	-	-	-	(7,076)
Instructional staff training	290	-	-	-	(290)
School Board	19,745	-	-	-	(19,745)
School administration	313,239	-	-	-	(313,239)
Facility acquisition and construction	48,484	-	-	-	(48,484)
Fiscal services	23,121	-	-	-	(23,121)
Central services	5,484	-	-	-	(5,484)
Pupil transportation services	1,004	-	-	-	(1,004)
Operation of plant	47,246	-	-	-	(47,246)
Maintenance of plant	20	-	-	-	(20)
After school program	8	288	-	-	280
	<u>8</u>	<u>288</u>	<u>-</u>	<u>-</u>	<u>280</u>
Total governmental activities	\$ <u>1,240,539</u>	\$ <u>288</u>	\$ <u>17,610</u>	\$ <u>-</u>	\$ <u>(1,222,641)</u>
General revenues:					
State sources				\$ 1,283,416	
Other revenues				71,162	
Extinguishment of debt - Paycheck Protection Program				215,900	
Total general revenues				<u>1,570,478</u>	
Change in net position				347,837	
Net position, July 1, 2020				<u>430,491</u>	
Net position, June 30, 2021				\$ <u><u>778,328</u></u>	

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

May Sands Montessori School, Inc.
Balance Sheet - Governmental Fund
June 30, 2021

	General Fund
Assets:	
Cash and cash equivalents	\$ 918,657
Due from other governments	15
Prepaid items	<u>3,018</u>
Total assets	\$ <u><u>921,690</u></u>
Liabilities:	
Accounts payable	\$ 13,400
Unearned revenue	<u>2,227</u>
Total liabilities	<u>15,627</u>
Fund Balance:	
Nonspendable	3,018
Unassigned	<u>903,045</u>
Total fund balance	<u>906,063</u>
Total liabilities and fund balance	\$ <u><u>921,690</u></u>

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

**May Sands Montessori School, Inc.
 Reconciliation of the Balance Sheet - Governmental
 Fund to the Statement of Net Position
 June 30, 2021**

Total Fund Balance - Governmental Funds \$ 906,063

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 in the governmental funds:

Cost of capital assets	\$	248,884	
Accumulated depreciation		<u>(164,819)</u>	84,065

Liabilities not payable with current available resources are not reported as fund liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the governmental-wide statements.

Notes payable			<u>(211,800)</u>
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Net Position of Governmental Activities \$ 778,328

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

**May Sands Montessori School, Inc.
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Fund
For the Year Ended June 30, 2021**

	General Fund
Revenues:	
State sources	\$ 1,283,416
Federal sources	17,610
Interest income	1,279
After school program	288
Contributions	69,883
	<hr/>
Total revenues	1,372,476
	<hr/>
Expenditures:	
Instructional services	611,202
Exceptional student education	153,069
Pupil personnel services	10,551
Instructional and curriculum services	7,076
Instructional staff training	290
School Board	19,745
School administration	313,239
Facility acquisition and construction	48,484
Fiscal services	23,121
Food services	-
Central services	5,484
Pupil transportation services	1,004
Operation of plant	36,262
Maintenance of plant	20
After school program	8
	<hr/>
Total expenditures	1,229,555
	<hr/>
Excess (deficiency) of revenues over expenditures	142,921
	<hr/>
Other Financing Sources:	
Proceeds from notes payable	211,800
	<hr/>
Net change in fund balance	354,721
	<hr/>
Fund Balance, July 1, 2020	551,342
	<hr/>
Fund Balance, June 30, 2021	\$ 906,063
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The accompanying notes to basic financial statements are an integral part of these statements.

**May Sands Montessori School, Inc.
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balance -
 Governmental Fund to the Statement of Activities
 For the Year Ended June 30, 2021**

Net Change in Fund Balance - Governmental Funds	\$	354,721
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>The governmental funds report capital outlays as expenditures; however, in the statement of activities these costs are allocated over their estimated useful lives as provision for depreciation:</p>		
Current year provision for depreciation		(10,984)
<p>Debt issued in the prior year and extinguished in the current year is reported as a revenue in the statement of activities but was recognized previously in the statement of revenues, expenditures and changes in fund balance.</p>		
Extinguishment of Debt		215,900
<p>Issuance of debt is reported as revenue in the governmental funds, but the issuance is reported as a long-term liability in the statement of net position.</p>		
		<u>(211,800)</u>
Change in Net Position of Governmental Activities	\$	<u><u>347,837</u></u>

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

Note 1 - Organization and Operations

Reporting Entity: May Sands Montessori School, Inc. (the "School") was incorporated as a nonprofit corporation on October 23, 1997 organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporations Act and Section 228.056, Florida Statutes. The governing body of the School is the Board of Directors which is composed of not less than five and not more than nine members. Effective July 10, 2018, the School changed its name to May Sands Montessori School, Inc. from Key West Montessori Charter School, Inc.

The School operates under a charter of the sponsoring school district, the District School Board of Monroe County (the "District"). The current charter is effective until June 30, 2031. At the end of the term of the charter, the District may choose not to renew the charter under the reasons 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. Pursuant to section 228.056(10) (e), Florida Statutes, the charter school contract provides that in the event the school is dissolved or terminated, unencumbered funds and all school property purchased with public funds automatically revert to the District School Board of Monroe County. During the term of the charter, the District may also terminate the charter if good cause is shown. May Sands Montessori School, Inc. is considered a component unit of the District.

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 Government Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included with the reporting entity of the School.

Note 2 - Summary of Significant Accounting Policies

A summary of the School's significant accounting policies is as follows:

Basis of presentation: Based on the guidance provided in the American Institute of Certified Public Accountants, Audit and Accounting Guide - Not-for-Profit Organizations and provisions of Section 228.056(9), Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide financial statements: The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the School's activities are classified as governmental activities.

In the government-wide statement of net position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all current and noncurrent assets and all current and noncurrent liabilities. The School's net position is reported in three (3) categories: net investment in capital assets; restricted; and unrestricted.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Note 2 - Summary of Significant Accounting Policies (continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund financial statements: The School's accounts are organized on the basis of funds. The operations each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School reports the following major governmental fund:

General Fund - This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

Measurement focus and basis of accounting: Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). Revenues susceptible to accrual include FTE nonspecific revenue, capital grant funds, operating grants and contributions and investment earnings. Intergovernmental revenues are recognized when all eligibility requirements have been met, if available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within three (3) months of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred.

Cash and cash equivalents: The School maintains its cash accounts with several financial institutions. The School's accounts at these institutions, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk (Note 3).

Investments: As of June 30, 2021, the School had no investments.

Prepaid items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Note 2 - Summary of Significant Accounting Policies (continued)

State funding (primary source of revenue): Student funding is provided by the State of Florida through the Monroe County District School Board. In accordance with the Charter Agreement, the District retains not more than 2% as an administrative fee. This funding is received on a pro rata basis over the twelve-month period and is adjusted for changes in full-time equivalent student population. After review and verification of Full-Time Equivalent ("FTE") reports and supporting documentation, the Florida Department of Education may adjust subsequent fiscal period allocations of FTE funding for prior year's errors disclosed by its review as well as to prevent the statewide allocation from exceeding the amount authorized by the State Legislature. Normally, such adjustments are reported in the year the adjustments are made.

Income taxes: The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these financial statements.

Capital assets: Capital assets purchased or acquired with an original cost of \$1,000 or more are capitalized at historical cost or estimated historical cost and are reported in the government-wide financial statements. Donated capital assets are valued at the estimated fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, which include equipment acquired with state shared revenues are reported in the government-wide financial statements.

Depreciation on all assets is provided on either the straight-line basis or various accelerated methods over the estimated useful lives as follows:

Improvements	15-39 years
Furniture and Equipment	5-15 years

Within the governmental funds, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported within the governmental fund financial statements.

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Unearned revenue: Unearned revenue arises when the School receives resources before it has a legal claim to them.

Note 2 - Summary of Significant Accounting Policies (continued)

Compensated absences: The School grants a specific number of non-cumulative sick/personal leave. Therefore, there is no compensated absences accrual for such days.

Net position classifications: *Government-wide financial statements*

Net position is displayed in three (3) components:

Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted - indicates that portion of net position that is available to fund future operations and that do not meet the definition of "restricted" or "net investment in capital assets".

Fund balance classifications: *Fund financial statements*

The School follows the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable Fund Balance* - amounts that are not in spendable form (such as prepaid items) or are legally or contractually required to be maintained intact.
- *Restricted Fund Balance* - amounts that are constrained to specific purposes by external providers (such as grantors, creditors, etc.) or imposed by law through constitutional provisions, or by enabling legislation.
- *Committed Fund Balance* – amounts constrained to specific purposes by formal account of the Board of Directors (the highest level of decision making authority). To be reported as committed, amounts cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.

Note 2 - Summary of Significant Accounting Policies (continued)

- *Assigned Fund Balance* - amounts the School intends to use for a specific purpose but are neither restricted nor committed. Assignments can be made by the Board of Directors or by an official or body which the Board of Directors delegated the authority at their direction.
- *Unassigned Fund Balance* - amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The School uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the School would first use committed fund balance, followed by assigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Budget: An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the financial statements.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of management review: Subsequent events were evaluated by management through October 13, 2021, which is the date the financial statements were available to be issued.

Note 3 - Deposits

At June 30, 2021, the carrying amount of the School's deposits and cash on hand totaled approximately \$ 919,000 with a bank balance of approximately \$ 920,000.

Subject to certain exemptions, State statutes require, and it is the School's policy, that certain deposits be made into, and be held by, financial institutions designated by the treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool, as the School has identified itself as a public entity at June 30, 2021. The School maintains balances at two financial institutions which are qualified public depositories at June 30, 2021 as defined by Chapter 280 of the Florida Statutes.

The School maintained a cash balance account with a financial institution which, at June 30, 2021, exceeded the federally insured limit.

Note 4 - Capital Assets

A summary of changes in governmental capital assets is as follows:

	Balance July 1, 2020	Increases	Decreases/ Transfers	Balance June 30, 2021
Capital assets:				
Improvements	\$ 107,658	\$ -	\$ -	\$ 107,658
Furniture and Equipment	<u>141,226</u>	<u>-</u>	<u>-</u>	<u>141,226</u>
Total capital assets	<u>248,884</u>	<u>-</u>	<u>-</u>	<u>248,884</u>
Accumulated depreciation:				
Improvements	32,122	4,378	-	36,500
Furniture and Equipment	<u>121,713</u>	<u>6,606</u>	<u>-</u>	<u>128,319</u>
Total accumulated depreciation	<u>153,835</u>	<u>10,984</u>	<u>-</u>	<u>164,819</u>
Net capital assets	<u>\$ 95,049</u>	<u>\$ (10,984)</u>	<u>\$ -</u>	<u>\$ 84,065</u>

The provision for depreciation for the year ended June 30, 2021 amounted to \$ 10,984. The School allocated depreciation to operation of plant.

Note 5 - Notes payable

On April 23, 2020, the School executed a promissory note for \$ 215,900 under the Paycheck Protection Program ("PPP") authorized by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). Loans provided through the PPP have been guaranteed through a nonexchange financial guarantee provided by the U.S. Small Business Administration ("SBA"). Under Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, a governmental entity should continue to report a loan until that entity is legally released from the debt. Effective April 30, 2021, the SBA granted the School full forgiveness/legal release of this loan; therefore, an inflow of resources is presented within extinguishment of debt in the accompanying Statement of Activities.

On April 19, 2021, the School executed a second promissory note for \$ 211,800 from the SBA as part of the Second Draw: PPP ("PPP 2") authorized by the CARES Act. The loan bears an interest rate of 1.00% annum and has a maturity of five years. The funds are eligible for forgiveness to the extent that they are used to cover certain payroll, rent, and utility costs and if the School maintains certain employment levels during a specified period of time. If the SBA confirms full forgiveness of the unpaid balance of the note, the School's obligation under this agreement will be deemed fully satisfied. The School remains obligated to repay to the lender any amount not forgiven, which will mature on the 2nd anniversary of the note. Principal and interest payments are deferred until the lender receives a forgiveness determination from the SBA. The School has applied for full forgiveness of the loan, and management anticipates that the loan will be forgiven. As of June 30, 2021, the outstanding principal amount of the note payable was \$ 211,800.

Note 5 - Notes payable (continued)

The activity for notes payable for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
PPP loan	\$ 215,900	\$ -	\$ 215,900	\$ -	\$ -
PPP 2 loan	-	211,800	-	211,800	-
	<u>\$ 215,900</u>	<u>\$ 211,800</u>	<u>\$ 215,900</u>	<u>\$ 211,800</u>	<u>\$ -</u>

Note 6 - Commitments and Contingencies

Grant Agreements: The School received financial assistance from federal and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. In accordance with Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the Florida Single Audit Act, the School is not required to conduct "single audits" since the required threshold for federal awards and state financial assistance is currently \$ 750,000 and the School did not exceed this threshold.

Effective July 1, 2017, the School entered into a non-cancelable 15-year operating lease agreement, for the rental of school facilities, which expires on June 30, 2032. Rental expense for the year ended June 30, 2021 amounted to approximately \$ 48,000.

Minimum rental commitments on an annual basis for facility leases are as follows:

Fiscal Year Ending June 30,	Amount
2022	\$ 48,233
2023	48,233
2024	48,233
2025	48,233
2026	48,233
Thereafter	<u>289,397</u>
Total	<u>\$ 530,562</u>

Note 7 - Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions, employee health, workers' compensation and natural disasters for which the School carried commercial insurance. Settlement amounts have not exceeded insurance coverage. In addition, there were no reductions in insurance coverage from those in the prior year.

Note 8 - Risks and Uncertainties

In March 2020, the *World Health Organization* declared the outbreak of a coronavirus (COVID-19) pandemic. As a result, the local and global financial markets are experiencing a sensitive environment which is creating economic uncertainties. At this time, it is unknown precisely how this negative outlook will impact the School's financial statements in the future.

REQUIRED SUPPLEMENTARY INFORMATION

May Sands Montessori School, Inc.
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
State sources	\$ 1,152,186	\$ 1,283,416	\$ 131,230
Federal sources	13,107	17,610	4,503
Interest income	1,000	1,279	279
After school program	17,232	288	(16,944)
Contributions	<u>146,579</u>	<u>69,883</u>	<u>(76,696)</u>
Total revenues	<u>1,330,104</u>	<u>1,372,476</u>	<u>42,372</u>
Expenditures:			
Instructional services	759,374	611,202	148,172
Exceptional student education	144,944	153,069	(8,125)
Pupil personnel services	9,167	10,551	(1,384)
Instructional and curriculum services	-	7,076	(7,076)
Instructional staff training	330	290	40
School Board	17,335	19,745	(2,410)
School administration	320,209	313,239	6,970
Facility acquisition and construction	51,229	48,484	2,745
Fiscal services	44,753	23,121	21,632
Food services	100	-	100
Central services	5,646	5,484	162
Pupil transportation services	1,156	1,004	152
Operation of plant	30,472	36,262	(5,790)
Maintenance of plant	67	20	47
After school program	<u>7,930</u>	<u>8</u>	<u>7,922</u>
Total expenditures	<u>1,392,712</u>	<u>1,229,555</u>	<u>163,157</u>
Net change in fund balance	<u>\$ (62,608)</u>	<u>\$ 142,921</u>	<u>\$ 205,529</u>

OTHER INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT 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*

To the Board of Directors
May Sands Montessori School, Inc.
A Charter School and Component Unit of the
Monroe County District School Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of May Sands Montessori School, Inc. (the "School"), a component unit of the Monroe County District School Board, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 13, 2021.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 13, 2021

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
May Sands Montessori School, Inc.
A Charter School and Component Unit of the
Monroe County District School Board

Report on the Financial Statements

We have audited the financial statements of the May Sands Montessori School, Inc. (the "School"), a component unit of the Monroe County District School Board, as of and for the year ended June 30, 2021, and have issued our report thereon dated October 13, 2021.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated October 13, 2021, 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 recommendations made in the preceding 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 and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of Education of the entity are May Sands Montessori School, Inc. and 440351.

CPA's + Trusted Advisors

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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.

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

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

Transparency

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

Additional Matters

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

Purpose of this Letter

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 13, 2021