

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

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

Year Ended June 30, 2021

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.

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Harrison Executive Centre
1930 Harrison Street
Suite 308
Hollywood, FL 33020
Telephone (954) 922-8866
Fax (954) 922-8864
www.infantecocpa.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of South Broward Montessori Charter School Corp. ("the School"), a charter school and component unit of the District School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the South Broward Montessori Charter School Corp.'s basic financial statements as listed in the table of contents.

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 and, where applicable, cash flows 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 - 7 and 23 - 24 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 27, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Hollywood, FL
September 27, 2021

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Our discussion and analysis of the South Broward Montessori Charter School Corp's ("the school") financial program provides an overview of the school's financial activities for the year ended June 30, 2021.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with the school's financial statements which begin on page 8.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 14-22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the school's financial position. The school's assets exceeded liabilities by \$238,389 and \$91,833 at June 30, 2021 and June 30, 2020, respectively.

NET POSITION

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Current Assets	\$ 311,841	\$ 171,360	\$ 140,481
Capital Assets	<u>18,746</u>	<u>33,056</u>	<u>(14,310)</u>
Total Assets	\$ <u><u>330,587</u></u>	\$ <u><u>204,416</u></u>	\$ <u><u>126,171</u></u>
Current Liabilities	33,045	14,388	18,657
Non-current liabilities	<u>59,153</u>	<u>98,195</u>	<u>(39,042)</u>
Total Liabilities	\$ 92,198	\$ 112,583	\$ (20,385)
Net Position			
Investments in Capital Assets	\$ 18,746	\$ 33,056	\$ (14,310)
Unrestricted	<u>219,643</u>	<u>58,777</u>	<u>160,866</u>
Total Net Position	<u>238,389</u>	<u>91,833</u>	<u>146,556</u>
Total Liabilities and Net Position	\$ <u><u>330,587</u></u>	\$ <u><u>204,416</u></u>	\$ <u><u>126,171</u></u>

The decrease in non-current liabilities and current liabilities was the result of the school paying down its long term debt obligations and operating payables.

SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

<u>Revenue Sources</u>	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Federal passed through local schools	\$ 130,162	\$ 94,132	36,030
State passed through local school	1,351,741	1,313,049	38,692
Other revenue	<u>3,542</u>	<u>71,981</u>	<u>(68,439)</u>
Total	\$ <u>1,485,445</u>	\$ <u>1,479,162</u>	\$ <u>6,283</u>

Revenues for governmental activities totaled \$1,485,445 and \$1,479,162 for the years ended June 30, 2021 and 2020, respectively. The main source of revenue was from the Florida Education Finance Program ("FEFP") and it represented approximately 80% and 83% of total revenue for the years ended June 30, 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Instruction	\$ 622,075	\$ 612,866	\$ 9,209
Instruction and curriculum development services	55,374	51,323	4,051
Instructional staff training	17,911	15,757	2,154
Board expenses	19,202	51,911	(32,709)
General administration	-	60,701	(60,701)
School administration	234,293	230,894	3,399
Fiscal services	4,457	4,861	(404)
Operation of plant	228,357	232,161	(3,804)
Maintenance of plant	119,613	94,367	25,246
Food service	37,607	49,423	(11,816)
Debt service	<u>-</u>	<u>1,422</u>	<u>(1,422)</u>
Totals	\$ <u>1,338,889</u>	\$ <u>1,405,686</u>	\$ <u>(66,797)</u>

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

FUND FINANCIAL ANALYSIS

Key highlights for the fiscal years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Revenue	\$ 1,485,445	\$ 1,479,162	\$ 6,283
Proceeds from long-term debt	-	-	-
Expenditures	<u>(1,372,834)</u>	<u>(1,434,215)</u>	<u>61,381</u>
Change in fund balance	112,611	44,947	67,664
Fund balance, beginning of year	<u>166,185</u>	<u>121,238</u>	<u>44,947</u>
Fund balance, end of year	\$ <u><u>278,796</u></u>	\$ <u><u>166,185</u></u>	\$ <u><u>112,611</u></u>

CURRENT YEAR VS PRIOR YEAR RESULTS

The 2020-2021 school year was the eighth year that the school enrolled students. Total revenue was \$1,485,445 and \$1,479,162 for the years ended June 30, 2021 and 2020, respectively. The increase in revenue was primarily the result of increases in Covid-19 funding. Total expenses were \$1,372,834 and \$1,434,215 for the years ended June 30, 2021 and 2020, respectively. The approximate \$61,000 decrease in expenses is primarily attributable to the decrease in staffing costs in the school administration function and instruction and curriculum development services.

BUDGETARY HIGHLIGHTS – GENERAL FUND

Actual revenue was \$108,000 less than budgeted as the school anticipated a higher student count when the final budget was prepared. Total expenses were approximately \$69,000 less than the budgeted due to lower enrollment than what was anticipated. The largest decreases in expenses were primarily in the areas of instruction and school administration functions.

DEBT MANAGEMENT

As of June 30, 2021, the school had debt outstanding in the amount of \$49,940 compared to \$98,195 as of June 30, 2020. During the year ended June 30, 2021, the School paid down some of the debt owed to its landlord for past due rent and a line of credit.

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

PROSPECTS FOR THE FUTURE

The school's landlord is in the process of obtaining a construction loan to build some additional buildings on campus which will lead to an increase in students. In addition, the school plans on leasing a new modular portable in November 2021 to increase their space and enrollment. In addition, the school plans on purchasing new playground equipment through financing from the playground contractor.

REQUESTS FOR INFORMATION

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

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

**STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities
ASSETS	
Cash	\$ 204,732
Inventory	71,505
Deposits	7,537
Accounts receivable	28,067
Capital assets, net of accumulated depreciation	18,746
Total assets	\$ 330,587
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 10,550
Deferred revenue	22,495
Total current liabilities	33,045
NON-CURRENT LIABILITIES	
Portion due within one year	
Notes payable	25,860
Portion due after one year	
Notes payable	33,293
Total non-current liabilities	59,153
Total liabilities	92,198
NET POSITION	
Investment in Capital Assets	18,746
Unrestricted	219,643
Total net position	238,389
Total liabilities and net position	\$ 330,587

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

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 622,075	\$ 67,504	\$ 15,104	\$ -	\$ (539,467)
Instruction and curriculum development services	55,374	-	47,117	-	(8,257)
Instructional staff training	17,911	-	-	-	(17,911)
Board expenses	19,202	-	-	-	(19,202)
School administration	234,293	-	3,603	-	(230,690)
General	-	-	-	-	-
Fiscal services	4,457	-	-	-	(4,457)
Food services	37,607	-	37,607	-	-
Pupil transportation	-	-	-	-	-
Operation of plant	228,357	-	26,731	85,258	(116,368)
Maintenance of plant	119,613	-	-	-	(119,613)
Debt service	-	-	-	-	-
Total governmental activities	<u>\$ 1,338,889</u>	<u>\$ 67,504</u>	<u>\$ 130,162</u>	<u>\$ 85,258</u>	<u>\$ (1,055,965)</u>
General Revenues					
Grants and contributions not restricted to specific programs					1,198,979
Investment earnings					-
Miscellaneous revenues					3,542
Total General Revenues					<u>1,202,521</u>
Change in net position					146,556
Net position July 1, 2020					91,833
Net position June 30, 2021					<u>\$ 238,389</u>

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

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

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Special Revenue Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 204,732	\$ -	\$ 204,732
Inventory	71,505	-	71,505
Deposits	7,537	-	7,537
Due from Funds	5,572	-	5,572
Accounts receivable	-	28,067	28,067
Total Assets	<u>\$ 289,346</u>	<u>\$ 28,067</u>	<u>\$ 317,413</u>
LIABILITIES			
Accounts payable	\$ 10,550	\$ -	\$ 10,550
Deferred revenue	-	22,495	22,495
Due To Funds	-	5,572	5,572
Total Liabilities	<u>10,550</u>	<u>28,067</u>	<u>38,617</u>
FUND BALANCES			
Nonspendable	79,042	-	79,042
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	199,754	-	199,754
Total Fund Balances	<u>278,796</u>	<u>-</u>	<u>278,796</u>
 Total Liabilities and Fund Balances	 <u>\$ 289,346</u>	 <u>\$ 28,067</u>	 <u>\$ 317,413</u>

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

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

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Fund Balance - Governmental Funds	\$	278,796
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$	161,455	
Less accumulated depreciation		<u>(142,709)</u>	18,746

Debt proceeds and accrued interest are reported as financing sources in the general fund and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing note payables increases long-term liabilities and does not affect the Statement of Activities.

(59,153)

Net Position of Governmental Activites	\$	<u><u>238,389</u></u>
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The accompanying notes are an integral part of these basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Special Revenue Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Federal passed through local school district	\$ -	\$ 130,162	\$ 130,162
State passed through local school district	1,284,237	-	1,284,237
Interest income	-	-	-
Other revenue	<u>71,046</u>	<u>-</u>	<u>71,046</u>
TOTAL REVENUES	1,355,283	130,162	1,485,445
EXPENDITURES/EXPENSES			
Instruction	605,848	15,104	620,952
Instruction and curriculum development services	8,257	47,117	55,374
Instructional staff training	17,911	-	17,911
Board expenses	19,202	-	19,202
School administration	230,690	3,603	234,293
General	-	-	-
Fiscal services	4,457	-	4,457
Food services	-	37,607	37,607
Pupil transportation	-	-	-
Operation of plant	188,441	26,731	215,172
Maintenance of plant	119,613	-	119,613
Debt service			
Principal	48,253	-	48,253
Interest	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,242,672</u>	<u>130,162</u>	<u>1,372,834</u>
Revenues over Expenses	<u>112,611</u>	<u>-</u>	<u>112,611</u>
Net change in fund balance	112,611	-	112,611
Fund balances, July 1, 2020	<u>166,185</u>	<u>-</u>	<u>166,185</u>
Fund balances, June 30, 2021	<u><u>\$ 278,796</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 278,796</u></u>

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

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2021**

Net change in fund balances - governmental funds	\$ 112,611
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Amounts reported for governmental activities in the statement of net position are different because:

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

Expenditures for capital assets	-	
Less current year depreciation	<u>(14,308)</u>	<u>(14,308)</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amount are deferred and amortized on the statement of activities.

Principal payments on long-term debt	<u>48,253</u>
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Change in Net Position of Governmental Activities	\$ <u><u>146,556</u></u>
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The accompanying notes are an integral part of these basic financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

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

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

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

2. Government-Wide and Fund Financial Statements

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

4. Budgetary Basis of Accounting

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

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

5. Cash

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

6. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. For the year ended June 30, 2021, the school recorded net capital assets of \$18,746.

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

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Computer equipment	5
Furniture and fixtures	7
Leasehold improvements	5

**SOUTH BROWARD MONTESSORI CHARTER SCHOOL CORP.
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital Assets (continued)

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

7. Revenue Sources

Revenues for current operations are received primarily from the State of Florida passed through the District to the School pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDE) for funding through the Florida Education Finance Program (FEFP).

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

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

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

8. Use of estimates

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

9. Income Taxes

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Income taxes (continued)

The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The School's federal income tax returns for 2019-2021 remain subject to examination by major tax jurisdictions.

10. Inventory

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

NOTE B - CONCENTRATIONS

1. Revenue Sources

As stated in Note A-7, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts for the fiscal year ended June 20, 2021:

<u>Sources</u>	<u>Amounts</u>
State funding through local district	\$ 1,284,237
Federal passed through local school district	130,162
Other	<u>71,046</u>
	<u>\$ 1,485,445</u>

2. Cash

Under Chapter 280, Florida Statutes, the School's deposits must be placed in banks and savings and loans which are qualified as public depositories. The School maintains cash deposits at a bank in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer and collateral pool. As of June 30, 2021, there were no uninsured deposit balances.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE C – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 was as follows:

	Balance at June 30, 2020	Additions	Adjustments and Deletions	Balance at June 30, 2021
Capital assets depreciated:				
Computer equipment	\$ 39,340	\$ -	\$ -	\$ 39,340
Furniture and fixtures	72,889	-	-	72,889
Leasehold improvements	49,226	-	-	49,226
Total assets depreciated	<u>\$ 161,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,455</u>
Less accumulated depreciation				
Computer equipment	\$ 33,909	\$ 1,124	\$ -	\$ 35,033
Furniture and fixtures	59,346	8,618	-	67,964
Leasehold improvements	35,144	4,567	-	39,711
Total assets depreciated	<u>\$ 128,399</u>	<u>\$ 14,309</u>	<u>\$ -</u>	<u>\$ 142,708</u>
Total governmental activities				
Capital assets, net				<u>\$ 18,746</u>

Depreciation expense of \$14,309 was charged to the instruction and operation of plant functions for the year ended June 30, 2021.

NOTE D – LONG-TERM DEBT

The changes in the school's long-term obligations for the year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Amount due within 1 yr
Line of credit – related party	\$ 31,606	\$ -	\$ 22,393	\$ 9,213	\$ 9,213
Notes payable					
Third party	66,589	-	16,649	49,940	16,647
Total notes payable	<u>98,195</u>	<u>-</u>	<u>52,646</u>	<u>\$ 59,153</u>	<u>25,860</u>
Total long-term obligations	<u>\$ 98,195</u>	<u>\$ -</u>	<u>\$ 52,646</u>	<u>\$ 59,153</u>	<u>\$ 25,860</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE D – LONG-TERM DEBT (continued)

Line of credit – related party

At June 30, 2021, the school had an unsecured revolving line of credit with a related party, the amount not to exceed \$120,000, maturing on June 30, 2021. Interest only payments are due monthly on the unpaid principal balance at a rate of 4.5% per annum. The outstanding balance on the line of credit at June 30, 2021 is \$9,213.

Note payable – landlord

At June 30, 2021, the School has a non-interest bearing note payable to a third party in the amount of \$49,940. The note payable represents the outstanding balance of unpaid rent and water usage for all rent prior to July 1, 2018. In accordance with the note payable agreement, monthly payments of \$1,387 are due to the third party and all of the required payments were made during the fiscal year ended June 30, 2021.

The following table summarizes the School's future debt service as of June 30, 2021:

June 30:

2022	\$	25,860
2023		16,647
2024		<u>16,646</u>
Total	\$	<u>59,153</u>

NOTE E – COMMITMENTS

On December 14, 2018, the School amended its operating lease with the landlord whereby past due rents prior to July 1, 2018 have been reclassified as long term debt (see Note D). The remaining payment terms of the original lease dated July 26, 2018 remain in effect.

Total rent expense was approximately \$182,000 for the year ended June 30, 2021.

Future minimum lease payments required under the lease agreements approximately as follows:

June 30:

2022	\$	188,976
2023		<u>196,536</u>
Total	\$	385,512

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE F – INVENTORY

The School has recorded its Montessori materials as inventory. These items have been used since the School opened and will continue to be used as they are the foundation for this specific teaching method. Management has determined that the inventory items maintain their value as they will be used in future years and the value at June 30, 2021 was \$71,505.

NOTE G – RISK MANAGEMENT

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

The School did not have any settlements that exceeded insurance coverage for the years ended June 30, 2019 – 2021.

NOTE H – COVID-19

As a result of the COVID-19 pandemic, the School began the 2020-2021 school year using distance learning. The School's enrollment has been slightly impacted as a result of COVID-19, but management adjusted the budget accordingly for the anticipated loss in revenue. The School's management is unable to determine the duration and extent of the financial impact that COVID-19 will have on the school.

NOTE I – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 27, 2021, which is the date the financial statements became available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021
(UNAUDITED)**

	Original Budget	Final Budget	General Fund	Variance with Final Budget - Positive (Negative)
Revenues				
Federal passed through local school district	\$ -	\$ -	\$ -	\$ -
State passed through local school district	1,396,882	1,396,882	1,284,237	112,645
Investment earnings	-	-	-	-
Other revenue	65,500	65,500	71,046	(5,546)
Total revenues	1,462,382	1,462,382	1,355,283	107,099
Expenses				
Instruction	605,510	605,510	605,848	(338)
Instruction and curriculum development services	-	-	8,257	(8,257)
Instructional staff training	24,668	24,668	17,911	6,757
Board expenses	14,900	14,900	19,202	(4,302)
School administration	254,011	254,011	230,690	23,321
General	65,281	65,281	-	65,281
Fiscal services	4,600	4,600	4,457	143
Food services	-	-	-	-
Pupil transportation	-	-	-	-
Operation of plant	222,212	222,212	188,441	33,771
Maintenance of plant	103,900	103,900	119,613	(15,713)
Debt service				
Principal	16,646	16,646	48,253	(31,607)
Interest	-	-	-	-
Total expenses	1,311,728	1,311,728	1,242,672	69,056
Excess/(Deficit) of revenues over expenditures	\$ 150,654	\$ 150,654	112,611	\$ 38,043
Total Change in Fund Balance	150,654	150,654	112,611	38,043
Fund Balance, July 1, 2020	166,185	166,185	166,185	-
Fund Balance, June 30, 2021	\$ 316,839	\$ 316,839	\$ 278,796	\$ 38,043

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

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021
(UNAUDITED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Federal passed through local school district	\$ 120,533	\$ 120,533	\$ 130,162	\$ (9,629)
State passed through local school district	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	-
Total revenues	120,533	120,533	130,162	(9,629)
Expenses				
Instruction	10,533	10,533	15,104	(4,571)
Instruction and curriculum development services	49,000	49,000	47,117	1,883
Board expenses	-	-	-	-
School administration	-	-	3,603	(3,603)
Fiscal services	-	-	-	-
Food services	61,000	61,000	37,607	23,393
Pupil transportation	-	-	-	-
Operation of plant	-	-	26,731	(26,731)
Maintenance of plant	-	-	-	-
Interest	-	-	-	-
Total expenses	120,533	120,533	130,162	(9,629)
Revenues over Expenses	\$ -	\$ -	-	\$ -
Other Financing Sources				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Fund Balance, July 1, 2020	-	\$ -	\$ -	-
Fund Balance, June 30, 2021	\$ -	\$ -	\$ -	\$ -

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



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1930 Harrison Street
Suite 308
Hollywood, FL 33020
Telephone (954) 922-8866
Fax (954) 922-8884
www.infantecocpa.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of South Broward Montessori Charter School Corp., ("the School", a nonprofit organization), a charter school and component unit of the District School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise South Broward Montessori Charter School Corp.'s basic financial statements and have issued our report thereon dated September 27, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Infante & Company". The signature is fluid and cursive, with the ampersand clearly visible.

September 27, 2021
Hollywood, Florida



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Harrison Executive Centre
1930 Harrison Street
Suite 308
Hollywood, FL 33020
Telephone (954) 922-8866
Fax (954) 922-8884
www.infantecocpa.com

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

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

Report on the Financial Statements

We have audited the financial statements of the South Broward Montessori Charter School Corp, Florida, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 27, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 27, 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 findings and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are South Broward Montessori Charter School Corp and 5717.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not South Broward Montessori Charter School Corp has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the South Broward Montessori Charter School Corp did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. 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 South Broward Montessori Charter School Corp maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the South Broward Montessori Charter School Corp maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

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

A handwritten signature in dark ink that reads "Infante & Company". The script is cursive and fluid, with the first letters of "Infante" and "Company" being capitalized and prominent.

Infante & Company
September 27, 2021