

CYPRESS JUNCTION MONTESSORI, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

CYPRESS JUNCTION MONTESSORI, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cypress Junction Montessori, Inc.
Winter Haven, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cypress Junction Montessori, Inc. (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' 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 auditors' 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, each major fund and the aggregate remaining fund information of the School as of June 30, 2017, 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, 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 September 19, 2017, 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 result 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 School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Tampa, Florida
September 19, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CYPRESS JUNCTION MONTESSORI, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The following Management's Discussion and Analysis (MD&A) of Cypress Junction Montessori, Inc. (the School) presents a narrative overview and an analysis of the financial activities of the School as of and for the year ended June 30, 2017.

Financial Highlights

- The assets of the School exceeded its liabilities at June 30, 2017 by \$54,475 (net position). The unrestricted portion of \$25,984 may be used to meet the School's ongoing obligations to its students.
- As of June 30, 2017, the School's general fund reported an ending fund balance of \$25,882. The School's grant fund reported an ending fund balance of \$28,452.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. These basic statements consist of three sections: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide both long-term and short-term information about the School's overall financial status. These statements use a format similar to a private sector business. They include a statement of net position and a statement of activities.

The statement of net position presents information on the School's assets and liabilities. Net position, the difference between these assets and liabilities, are a useful way to measure the School's financial health.

The statement of activities presents information showing how the School's net position changed during the fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other public charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School uses a grant fund to account for all inflows and outflows associated with the Charter School Program (CSP) grant awarded by the Florida Department of Education. The School uses a general fund to account for all other activities of the School.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, this set of financial statements focuses on events that produce near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the fiscal year and is a narrower focus than the government-wide financial statements.

**CYPRESS JUNCTION MONTESSORI, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Overview of the Financial Statements (Continued)

Governmental Funds (Continued)

By comparing functions between the two sets of statements for governmental funds and governmental activities, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison.

The School adopts an annual appropriated budget. Budgetary comparison schedules and notes have been provided to demonstrate compliance with these budgets.

Fiduciary Funds

The fiduciary fund financial statements are not presented as part of the government-wide financial statements because the resources of these funds are not available to support the School's operations. These agency funds (School internal funds) represent trust responsibilities of the School; however, these assets are restricted as to purpose and do not represent discretionary assets of the School.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 16 through 21 of this report.

Government-Wide Financial Analysis

As noted earlier, changes in net position over time can be a useful indicator of a government's financial position. For the year ended June 30, 2017, the assets of the School exceeded liabilities by \$54,475.

At the end of the current fiscal year, the School reported positive balances in all categories of net position.

**CYPRESS JUNCTION MONTESSORI, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Government-Wide Financial Analysis (Continued)

Following is a summary of the School's net position as of June 30, 2017 and 2016:

	2017	2016
ASSETS		
Cash	\$ 67,256	\$ 15,668
Grant Receivable	19,153	-
Deposits	11,007	5,000
Prepaid Expenses	5,383	-
Capital Assets, Net	18,229	-
Total Assets	121,028	20,668
LIABILITIES		
Accounts Payable	15,465	-
Accrued Wages and Benefits	29,301	-
Unearned Revenue	1,340	6,600
Due to Agency Fund	2,259	-
Loan Payable	18,188	10,915
Total Liabilities	66,553	17,515
NET POSITION		
Net Investment in Capital Assets	18,229	-
Restricted	10,262	-
Unrestricted	25,984	3,153
Total Net Position	\$ 54,475	\$ 3,153

Governmental activities increased the School's net position by \$51,322 during the year ended June 30, 2017.

**CYPRESS JUNCTION MONTESSORI, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Government-Wide Financial Analysis (Continued)

Following is a summary of the School's statement of activities for the years ended June 30, 2017 and 2016 :

REVENUES

Program Revenues:	2017	2016
Charter School Program (CSP) Grant	\$ 185,900	\$ -
Florida Education Finance Program	882,358	-
Contributions and Donations	67,574	8,152
Tuition and Fees	131,038	309
Other Revenues	1,584	-
Total Revenues	1,268,454	8,461

EXPENSES

Instruction	588,479	447
Exceptional Education Services	9,303	-
Pre-Kindergarten	52,651	-
Instructional Staff Training	52,195	350
Instructional Technology	13,830	430
Board	8,779	2,080
General Administration	12,506	2,245
School Administration	231,342	206
Fiscal Services	10,078	-
Food Services	19,288	-
Pupil Transportation Services	7,638	-
Operation of Plant	204,516	958
Community Services	3,978	-
Interest on Loan Payable	2,549	-
Total Expenses	1,217,132	6,716

INCREASE IN NET POSITION

51,322	1,745
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Net Position - Beginning of Year

3,153	1,408
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NET POSITION - END OF YEAR

\$ 54,475	\$ 3,153
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**CYPRESS JUNCTION MONTESSORI, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The major source of revenue for the School is the funding from the Florida Education Finance Program (FEFP) of \$882,358, which represented 70% of the total revenue of \$1,268,454 for the year ended June 30, 2017. There were no FEFP revenues in the prior year, since fiscal year 2017 was the first year of operations of the School. Revenues in fiscal year 2016 largely consisted of private contributions and donations.

The School earned grant revenue totaling \$185,900 from the Florida Department of Education for the year ended June 30, 2017. These grant proceeds were to fund the initial operations of the School and were only to be used for programs that are part of the public charter, thus excluding the School's pre-kindergarten program. Thus, the pre-kindergarten program is funded by tuition, which totaled \$73,113 for the year ended June 30, 2107.

Financial Analysis of the School's Funds

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the School's financing requirements.

The School reports two governmental funds, the general fund and special revenue grant fund. Fund balance in the general fund increased by \$11,914 for the year ended June 30, 2017, from \$14,068 in the prior year to \$25,982 in the current year. The grant fund had no activity in the prior year, as fiscal year 2017 was the first year in which CSP grant proceeds were available for expenditure. Ending fund balance in the grant fund was \$28,452 for the fiscal year ending June 30, 2017.

Capital Assets and Debt Administration

The School's investment in capital assets as of June 30, 2017, is \$21,196, less accumulated depreciation totaling \$2,967. This investment in capital assets includes furniture, fixtures, and equipment for \$8,606, which is comprised of a copy machine and musical instrument sets. The balance also includes leasehold improvements for \$12,590, which includes glass doors, alarm and access control systems, and asphalt paving around the School's perimeter.

The School entered into a loan agreement with a financial institution during fiscal year 2016. Total proceeds drawn from the loan have totaled \$80,000. The outstanding loan balance is \$18,188 as of June 30, 2017. The purpose of the loan was to fund initial start-up activities of the School prior to receiving FEFP revenues (once the school year began) and CSP grant funding (on a reimbursement basis).

Economic Factors and Next Year's Budget

Unlike a taxing authority, the School must consider factors specific to the operation of the schools in establishing next year's budget. The economic position of the School is closely tied to the state of Florida, as the primary sources of revenues (FEFP and grant funding) are derived from the State. The School's enrollment figures for fiscal year 2017 were approximately 136 full-time equivalent (FTE) students from kindergarten through eighth grade. These enrollment numbers are expected to continue to increase in 2018 and beyond, as the School intends to meet its objective of reaching full capacity. Anticipated student enrollment is a primary factor to be considered in preparing the School's annual budget for fiscal year 2018.

**CYPRESS JUNCTION MONTESSORI, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Requests for Information

This financial report is designed to provide a general overview of the financial statements of Cypress Junction Montessori, Inc. for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed as follows:

Karen Winningham
Executive Director

kwinningham@cypressjunction.org

BASIC FINANCIAL STATEMENTS

**CYPRESS JUNCTION MONTESSORI, INC.
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 67,256
Grant Receivable	19,153
Deposits	11,007
Prepaid Expenses	5,383
Capital Assets, Net	18,229
Total Assets	<u>121,028</u>
LIABILITIES	
Accounts Payable	15,465
Accrued Wages and Benefits	29,301
Unearned Revenue	1,340
Due to Agency Fund	2,259
Loan Payable	18,188
Total Liabilities	<u>66,553</u>
NET POSITION	
Net Investment in Capital Assets	18,229
Restricted	10,262
Unrestricted	25,984
Total Net Position	<u><u>\$ 54,475</u></u>

See accompanying Notes to Basic Financial Statements.

CYPRESS JUNCTION MONTESSORI, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position
Governmental Activities:					
Instruction	\$ 588,479	\$ 8,156	\$ 178,839	\$ 7,436	\$ (394,048)
Exceptional Education Services	9,303	-	-	-	(9,303)
Pre-Kindergarten	52,651	73,113	-	-	20,462
Instructional Staff Training	52,195	-	42,757	-	(9,438)
Instructional Technology	13,830	-	13,013	-	(817)
Board	8,779	-	7,436	-	(1,343)
General Administration	12,506	-	-	-	(12,506)
School Administration	231,342	5,023	5,577	-	(220,742)
Fiscal Services	10,078	-	-	-	(10,078)
Food Services	19,288	19,815	-	-	527
Pupil Transportation Services	7,638	-	-	-	(7,638)
Operation of Plant	204,516	-	-	-	(204,516)
Community Services	3,978	24,931	-	-	20,953
Interest on Loan Payable	2,549	-	-	-	(2,549)
Total Governmental Activities	1,217,132	131,038	247,622	7,436	(831,036)
General Revenues:					
State through Local Sources					882,358
CHANGE IN NET POSITION					51,322
Net Position - Beginning of Year					3,153
NET POSITION - END OF YEAR					\$ 54,475

See accompanying Notes to Basic Financial Statements.

CYPRESS JUNCTION MONTESSORI, INC.
BALANCE SHEET – GENERAL FUND
JUNE 30, 2017

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 45,173	\$ 22,083	\$ 67,256
Grant Receivable	-	19,153	19,153
Due From Grant Fund	6,119	-	6,119
Deposits	11,007	-	11,007
Prepaid Expenditures	<u>5,383</u>	<u>-</u>	<u>5,383</u>
 Total Assets	 <u>\$ 67,682</u>	 <u>\$ 41,236</u>	 <u>\$ 108,918</u>
LIABILITIES			
Accounts Payable	\$ 8,900	\$ 6,565	\$ 15,465
Accrued Wages and Benefits	29,301	-	29,301
Unearned Revenue	1,340	-	1,340
Due to General Fund	-	6,119	6,119
Due to Agency Fund	<u>2,159</u>	<u>100</u>	<u>2,259</u>
 Total Liabilities	 41,700	 12,784	 54,484
FUND BALANCES			
Nonspendable	5,383	-	5,383
Restricted	17,196	10,262	27,458
Assigned	-	18,190	18,190
Unassigned	<u>3,403</u>	<u>-</u>	<u>3,403</u>
Total Fund Balances	<u>25,982</u>	<u>28,452</u>	<u>54,434</u>
 Total Liabilities and Fund Balances	 <u>\$ 67,682</u>	 <u>\$ 41,236</u>	 <u>\$ 108,918</u>

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.
RECONCILIATION OF THE BALANCE SHEET – GENERAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total fund balance for governmental funds	\$ 54,434
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.	18,229
Long-term liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported in the fund statements.	<u>(18,188)</u>
Total Net Position of Governmental Activities	<u>\$ 54,475</u>

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GENERAL FUND
YEAR ENDED JUNE 30, 2017**

REVENUES	<u>General Fund</u>	<u>Grant Fund</u>	<u>Total</u>
State Sources:			
Charter School Program (CSP) Grant	\$ -	\$ 185,900	\$ 185,900
State through Local Sources:			
Florida Education Finance Program	882,358	-	882,358
Local Sources:			
Contributions and Donations	67,574	-	67,574
Tuition and Fees	131,038	-	131,038
Other Revenues	1,584	-	1,584
Total Revenues	<u>1,082,554</u>	<u>185,900</u>	<u>1,268,454</u>
 EXPENDITURES			
Current:			
Instruction	481,705	104,400	586,105
Exceptional Education Services	9,303	-	9,303
Pre-Kindergarten	52,651	-	52,651
Instructional Staff Training	10,511	41,684	52,195
Instructional Technology	1,465	12,365	13,830
Board	2,392	6,387	8,779
General Administration	12,506	-	12,506
School Administration	226,199	4,550	230,749
Fiscal Services	10,078	-	10,078
Food Services	19,288	-	19,288
Pupil Transportation Services	7,638	-	7,638
Operation of Plant	204,516	-	204,516
Community Services	3,978	-	3,978
Capital Outlay	14,946	6,250	21,196
Debt Service			
Principal	60,000	1,812	61,812
Interest	2,549	-	2,549
Total Expenditures	<u>1,119,725</u>	<u>177,448</u>	<u>1,297,173</u>
 OTHER FINANCING SOURCES			
Proceeds from Loan Issuance	<u>49,085</u>	<u>20,000</u>	<u>69,085</u>
 NET CHANGE IN FUND BALANCE	11,914	28,452	40,366
 Fund Balance - Beginning of the Year	<u>14,068</u>	<u>-</u>	<u>14,068</u>
 FUND BALANCE - END OF YEAR	<u><u>\$ 25,982</u></u>	<u><u>\$ 28,452</u></u>	<u><u>\$ 54,434</u></u>

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE –
GENERAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balance - Governmental Funds \$ 40,366

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. This difference is comprised of:

Capital Outlay	21,196	
Depreciation Expense	<u>(2,967)</u>	
		18,229

Debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.

Proceeds from loan issuance	(69,085)	
Principal payments on loan outstanding	<u>61,812</u>	
		<u>(7,273)</u>

Change in Net Position of Governmental Activities \$ 51,322

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.
STATEMENT OF FIDUCIARY NET POSITION -
SCHOOL INTERNAL FUNDS
JUNE 30, 2017**

ASSETS

Cash	\$ 386
Due From Other Funds	<u>2,259</u>
Total Assets	<u><u>\$ 2,645</u></u>

LIABILITIES

Accounts Payable	\$ 2,168
Deposits Held in Custody	<u>477</u>
Total Liabilities	<u><u>\$ 2,645</u></u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 ORGANIZATION AND REPORTING ENTITY

Cypress Junction Montessori, Inc. (the School) is a public charter school located in Winter Haven, Florida, and follows the Montessori Method. The School is sponsored by its charter-holder, Cypress Junction Montessori, Inc., a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, whose purpose is exclusively educational and charitable and is to secure and distribute contributions from individuals, corporations, and foundations for the benefit of the students of the School. The governing body of the School is the board of directors, which is comprised of seven members.

The general operating authority of the School is contained within Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Polk County, Florida (the School Board).

Montessori is a method of education that is based on self-directed activity, hands-on learning, and collaborative play. In Montessori classrooms children make creative choices in their learning, while the classroom and the teacher offer age-appropriate activities to guide the process.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The more significant of the government's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and a statement of activities.

The government-wide statements are prepared using the *economic resources measurement focus* and the accrual basis of accounting. This differs from the way governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Generally, revenues are considered available when they are collected within the current period or within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as capital outlay expenditures in the fund that acquired the asset.

The School funds its programs by a combination of public charter school revenues derived from the State of Florida, local contributions, pre-kindergarten tuition and other student fees, and other revenues.

The School reports the following major governmental funds:

General fund – This fund is used to account for the accumulation and expenditure of resources used for general purpose of the School and does not require the establishment of any other type of fund.

Grant fund – This special revenue fund is used to account for all activities relating to the Charter School Program (CSP) grant from the Florida Department of Education.

Additionally, the School reports the following fiduciary fund type:

Agency Funds – These funds are used to account for resources of the school internal funds, which are used to administer monies collected in connection with school, student athletic, class, and club activities.

Deposits and Investments

Cash includes amounts on hand and in demand deposit accounts. The School does not have a written investment policy. Rather, it has adopted the guidelines for the investment of public funds in excess of amounts needed to meet current operating expenses, in accordance with Section 218.415, Florida Statutes. As of June 30, 2017, the School had no investments.

CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are reported in governmental activities in the government-wide financial statements. Capital assets are recorded at their historical cost if purchased. Donated capital assets are recorded at estimated market value at the date of donation. Minimum capitalization costs are \$1,000 for all items with a useful life of greater than one year.

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

The School's capital assets are depreciated using the straight-line method over five years for its furniture and equipment and leasehold improvements.

Interfund Receivables and Payables

Amounts owed to and from the School's governmental funds and agency funds may arise as a result of the transfer of monies between bank accounts for expenditures incurred and posted to different funds. As of June 30, 2017, the grant fund owed the general fund \$6,119 and owed the school internal funds \$100. As of June 30, 2017, the general fund owed the school internal funds \$2,159.

Fund Balance and Spending Policy

Governmental fund equity is classified as fund balance. Fund balance is segregated into two distinct types, nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are either (a) not in spendable form or; (b) legally contractually required to be maintained intact. Nonspendable fund balance in the general fund totaled \$5,383, which consisted of various prepaid expenditures.

Spendable fund balances are further segregated into five separate categories, based on a hierarchy of spending constraints.

- **Restricted:** Amounts that can be spent only for the specific purposes stipulated by: external resource providers (i.e., granting agencies such as Department of Education) or imposed by law through constitutional provisions or enabling legislation. As of June 30, 2017, there was \$17,196 of restricted fund balance in the general fund, relating to unspent proceeds from a foundation that requires the funds to be spent on music and curriculum enhancement programs. There is also \$10,262 of restricted fund balance in the grant fund, relating to unspent proceeds received from the Charter School Program (CSP) grant.
- **Committed:** Amounts that can be used only for the specific purposes determined by a formal action of the Board, the Board's highest level of decision-making authority. Commitments may be changed or lifted only by the Board's governing board taking the same formal action that imposed the constraint originally. There was no committed fund balance reported by the School.

**CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance and Spending Policy (Continued)

- **Assigned:** Amounts that include spendable fund balance amounts established by the Board that are intended to be used for a specific purpose that are neither considered restricted or committed. As of June 30, 2017, there was \$18,190 of assigned fund balance in the grant fund, relating to loan proceeds received for which there is no purpose restriction as to how the proceeds are to be spent.

- **Unassigned:** This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School's fund balance in the general fund classified as unassigned was \$3,403 as of June 30, 2017.

Although the School does not have a formal spending prioritization policy, it is assumed that in instances when expenditures are incurred for purposes for which amounts in either restricted or unrestricted fund balance classifications could be used, restricted fund balance would be spent first. Remaining unrestricted fund balance would be spent as follows: committed amounts would be reduced first, followed by assigned amounts, and then unassigned.

Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net invested in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Use of Estimates

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

NOTE 3 CASH

Custodial credit risk is defined as the risk that, in the event of bank failure, the Board's deposits may not be returned. All cash deposits are in financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any amount above this amount is collateralized pursuant to Chapter 280, Florida Statutes, which obligates all participating institutions to reimburse the governmental entity for the loss, in the event of default by a participating financial institution (a qualified public depository).

**CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 CASH (CONTINUED)

At June 30, 2017, the book balance of the School's deposits was \$67,256 relating to the governmental funds and \$386 relating to the agency funds, and the bank balance was \$80,213. The difference between book and bank balances is due to outstanding checks.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 consisted of the acquisition of furniture and equipment (comprised of a copy machine and musical instrument sets) and leasehold improvements (comprised of glass doors, alarm and access control systems, and asphalt paving).

Depreciation totaling \$2,967 for the year ended June 30, 2017 was allocated to governmental activities, between Instruction (\$2,374) and School Administration (\$593).

The following summarizes capital asset activity for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets being Depreciated:				
Furniture, Fixtures, and Equipment	\$ -	\$ 8,606	\$ -	\$ 8,606
Leasehold Improvements	-	12,590	-	12,590
Less: Accumulated Depreciation	-	2,967	-	2,967
 Total Capital Assets being Depreciated, Net	 \$ -	 \$ 18,229	 \$ -	 \$ 18,229

NOTE 5 CONTINGENCIES

The School is subject to financial and compliance audits by the granting agency (Florida Department of Education) to determine compliance with grant funding requirements. In the event the expenditure would be disallowed, repayment could be required. Government grants require the fulfillment of certain conditions as set forth by applicable laws, rules, and regulations and in the grant agreements. Failure to fulfill the conditions could result in the return of funds to the grantor.

NOTE 6 COMMITMENTS

In February 2016, the School entered into a five-year lease agreement commencing on July 1, 2016 to conduct school operations. At expiration of the term, the lease can be renewed for one additional 10-year term by providing at least 90-days' notice in writing before the expiration of the initial lease term. The School's annual rent is \$140,000 for the initial five-year lease term. Said annual rent is prorated into monthly payments paid in advance, with the first monthly payment due on the first day of the commencement of the lease.

**CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 LONG TERM DEBT

The School entered into a loan agreement with a financial institution during fiscal year 2016. Total proceeds drawn from the loan have totaled \$80,000. The purpose of the loan was to fund initial start-up activities of the School prior to receiving FEFP revenues (once the school year began) and CSP grant funding (on a reimbursement basis). The outstanding loan balance is \$18,188 as of June 30, 2017. Monthly principal and interest payments are \$2,881; the interest rate is 6%. The School intends on paying down the entire remaining loan balance in 2018.

The following represents the schedule of changes in the School's long-term liabilities for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Long-Term Liabilities:				
Loan Payable	\$ 10,915	\$ 69,085	\$ 76,358	\$ 18,188

NOTE 8 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, thefts of assets, errors and omissions, and natural disasters. The School is insured for various risks of loss, namely personal bodily injury coverage for students and other visitors within its campus facilities. There is no significant reduction in coverage from the prior year. No potential insurance settlements have exceeded the School's insurance coverage since inception of the School.

REQUIRED SUPPLEMENTARY INFORMATION

**CYPRESS JUNCTION MONTESSORI, INC.
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2017**

REVENUES	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
State through Local Sources:				
Florida Education Finance Program	\$ 850,000	\$ 882,358	\$ 882,358	\$ -
Local Sources:				
Contributions and Donations	57,300	67,570	67,574	4
Tuition and Fees	144,470	135,980	131,038	(4,942)
Other Revenues	1,584	1,584	1,584	-
Total Revenues	<u>1,053,354</u>	<u>1,087,492</u>	<u>1,082,554</u>	<u>(4,938)</u>
EXPENDITURES				
Current:				
Instruction	489,831	486,531	481,705	4,826
Exceptional Education Services	9,000	9,310	9,303	7
Pre-Kindergarten	55,250	52,680	52,651	29
Instructional Staff Training	11,000	10,600	10,511	89
Instructional Technology	1,872	1,470	1,465	5
Board	3,060	2,400	2,392	8
General Administration	12,000	12,510	12,506	4
School Administration	176,337	227,190	226,199	991
Fiscal Services	10,000	10,100	10,078	22
Food Services	20,000	20,000	19,288	712
Pupil Transportation Services	10,113	7,700	7,638	62
Operation of Plant	221,100	210,820	204,516	6,304
Community Services	3,982	3,982	3,978	4
Capital Outlay	-	-	14,946	(14,946)
Debt Service				
Principal	-	-	60,000	(60,000)
Interest	-	-	2,549	(2,549)
Total Expenditures	<u>1,023,545</u>	<u>1,055,293</u>	<u>1,119,725</u>	<u>(64,432)</u>
OTHER FINANCING SOURCES				
Proceeds from Loan Issuance	<u>-</u>	<u>-</u>	<u>49,085</u>	<u>(49,085)</u>
NET CHANGE IN FUND BALANCE			11,914	
Fund Balance - Beginning of Year			<u>14,068</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 25,982</u></u>	

**CYPRESS JUNCTION MONTESSORI, INC.
BUDGETARY COMPARISON SCHEDULE – GRANT FUND
YEAR ENDED JUNE 30, 2017**

REVENUES	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
				Positive (Negative)
State Sources:				
Charter School Program (CSP) Grant	\$ 251,942	\$ 251,942	\$ 185,900	\$ (66,042)
Total Revenues	251,942	251,942	185,900	(66,042)
EXPENDITURES				
Current:				
Instruction	124,843	124,843	104,400	20,443
Instructional Staff Training	74,652	74,652	41,684	32,968
Instructional Technology	12,365	12,365	12,365	-
Board	20,510	20,510	6,387	14,123
School Administration	19,572	19,572	4,550	15,022
Capital Outlay	-	-	6,250	(6,250)
Debt Service				
Principal	-	-	1,812	(1,812)
Total Expenditures	251,942	251,942	177,448	74,494
OTHER FINANCING SOURCES				
Proceeds from Loan Issuance	-	-	20,000	(20,000)
NET CHANGE IN FUND BALANCE			28,452	
Fund Balance - Beginning of the Year			-	
FUND BALANCE - END OF YEAR			\$ 28,452	

**CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BUDGETARY COMPARISON SCHEDULES
YEAR ENDED JUNE 30, 2017**

NOTE 1 BUDGETARY INFORMATION

The School follows procedures established by state statutes and State Board of Education rules in establishing budgets as described below:

Budgets are prepared and original budgets are approved by the School's Board Members for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.

NOTE 2 BUDGETARY BASIS OF ACCOUNTING

The budgets for the School's governmental funds are prepared on the full accrual basis of accounting. Thus, any activities relating to the acquisition of capital assets and issuance or repayment of long-term debt are not accounted for in the School's operating budgets. Rather, such balances are treated as additions to or deductions from assets and liabilities, respectively.

NOTE 3 STEWARDSHIP

The School incurred higher costs at the beginning of the school year for supplies, preparing its facility for use, and other similar expenditures associated with initial preparation activities at the School. Thus, expenditures exceeded revenues in the general fund for the year ended June 30, 2017. However, this operating result is not expected to trend in a similar manner in future years, as these operating expenditures identified above are not reoccurring.



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

Board of Directors
Cypress Junction Montessori, Inc.
New Port Richey, 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, each major fund, and the remaining fund information of the Cypress Junction Montessori, Inc. (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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

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

Compliance and Other Matters

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



CliftonLarsonAllen LLP

Tampa, Florida
September 19, 2017

MANAGEMENT LETTER

Board of Directors
Cypress Junction Montessori, Inc.
New Port Richey, Florida

Report on the Financial Statements

We have audited the financial statements of the Cypress Junction Montessori, Inc. (the School), as of and for the year ended June 30, 2017, and have issued our report thereon dated September 19, 2017.

Auditors' 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 Reports and Schedule

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 19, 2017, 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 was not a preceding annual financial audit report issued, as the School's first period of operations was for the year ended June 30, 2017.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Cypress Junction Montessori, Inc..

Financial Condition

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

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.

Transparency

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

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Refer to Appendix A – Current Year Findings and Recommendations.

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

Purpose of this letter

Our management letter is intended solely for the information and use of the 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 the District School Board of Polk County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Tampa, Florida
September 19, 2017

APPENDIX A – CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2017-001: School Internal Funds Policy

Criteria

The financial transactions of various school organizations are accounted for in a school's internal funds, which are reported as agency funds in the fiduciary fund financial statements. Under Chapter 8 of the Florida Department of Education Financial and Program Cost Accounting and Reporting for Florida Schools (Red Book 2017), district school boards shall be responsible for the administration and control of internal funds of the district school system. In addition, district school boards should adopt written rules governing the receipt and disbursement of all internal funds and the accounting for property pursuant to Florida Statutes.

Condition

The School had some limited internal fund activities during fiscal year 2017, namely class fieldtrips. However, there are not currently a written set of policies and procedures that govern the receipt and disbursement of such funds.

Cause

Due to minimal level of internal fund activity during the 2016-17 school year, management had not yet contemplated the need to adopt a written set of procedures covering School internal funds.

Effect

Without a written policy in place to ensure standard procedures are followed, there is an increased risk that school internal funds could possibly be mishandled or misspent.

Recommendation

We recommend that the School adopt a written set of policies and procedures that covers collection, handling, disbursement, and recording of internal funds financial transactions. The policy should be drafted by management and reviewed and approved by the School's Board.

Management's Response

Management agrees with the recommendation to develop and adopt a written set of policies for the management of internal funds financial transactions. These policies will be created in time to present to the Board of Directors for approval at the January 2018 board meeting.