

CYPRESS JUNCTION MONTESSORI, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020



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CYPRESS JUNCTION MONTESSORI, INC.
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YEAR ENDED JUNE 30, 2020

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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, the major fund, and the aggregate remaining fund information of Cypress Junction Montessori (the School), as of and for the year ended June 30, 2020, 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, the major fund, and the aggregate remaining fund information of the School as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, as listed on 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 August 21, 2020 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Tampa, Florida
August 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CYPRESS JUNCTION MONTESSORI, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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, 2020.

Financial Highlights

- The assets of the School exceeded its liabilities at June 30, 2020 by \$427,637 (net position). The unrestricted portion of \$210,437 may be used to meet the School's ongoing obligations to its students.
- As of June 30, 2020, the School's general fund reported an ending fund balance of \$292,190.

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's general fund accounts for all other activities of the School.

**CYPRESS JUNCTION MONTESSORI, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Overview of the Financial Statements (Continued)

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.

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 22 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, 2020, the assets of the School exceeded liabilities by \$427,637.

**CYPRESS JUNCTION MONTESSORI, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Government-Wide Financial Analysis (Continued)

Following is a summary of the School's net position as of June 30, 2020 and 2019:

	2020	2019
ASSETS		
Cash	\$ 380,458	\$ 304,929
Due from School Board of Polk County	8,174	13,980
Deposits	7,953	25,190
Prepaid Expenses	7,799	4,996
Capital Assets, Net	157,052	144,095
Total Assets	561,436	493,190
CURRENT LIABILITIES		
Accounts Payable	15,935	17,270
Accrued Wages and Benefits	90,950	76,222
Unearned Revenue	5,309	13,048
Note Payable - Current	10,717	-
Total Current Liabilities	122,911	106,540
NONCURRENT LIABILITIES		
Note Payable - Noncurrent	10,888	-
Total Noncurrent Liabilities	10,888	-
Total Liabilities	133,799	106,540
NET POSITION		
Net Investment in Capital Assets	157,052	144,095
Restricted	60,148	78,925
Unrestricted	210,437	163,630
Total Net Position	\$ 427,637	\$ 386,650

Governmental activities increased the School's net position by \$40,987 during the year ended June 30, 2020.

**CYPRESS JUNCTION MONTESSORI, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Government-Wide Financial Analysis (Continued)

Following is a summary of the School's statement of activities for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
REVENUES		
Program Revenues:		
Individuals with Disabilities Education Act (IDEA)	\$ 20,879	\$ 15,355
VPK Program	38,178	61,364
School Recognition and Teacher Excellence	17,215	7,909
Contributions and Donations	21,210	86,765
Tuition and Fees	120,879	128,167
Other Revenues	3,432	3,160
Title II, Part A	8,479	4,178
Capital Outlay	98,597	92,238
General Revenues:		
Florida Education Finance Program	1,332,374	1,285,574
Total Revenues	<u>1,661,243</u>	<u>1,684,710</u>
EXPENSES		
Instruction	738,047	686,581
Exceptional Education Services	84,595	18,294
Pre-Kindergarten	106,817	107,644
Instructional Staff Training	21,991	21,320
Board	23,175	22,519
General Administration	1,470	1,487
School Administration	325,084	287,862
Fiscal Services	12,535	13,050
Food Services	4,263	20,657
Pupil Transportation Services	54,435	17,080
Operation of Plant	247,844	260,824
Interest on Loan Payable	-	765
Total Expenses	<u>1,620,256</u>	<u>1,458,083</u>
INCREASE IN NET POSITION	40,987	226,627
Net Position - Beginning of Year	<u>386,650</u>	<u>160,023</u>
NET POSITION - END OF YEAR	<u><u>\$ 427,637</u></u>	<u><u>\$ 386,650</u></u>

**CYPRESS JUNCTION MONTESSORI, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Government-Wide Financial Analysis (Continued)

The major source of revenue for the School is the funding from the Florida Education Finance Program. For the year ended June 30, 2020, (FEFP) revenue of \$1,332,374 represented 80% of the total revenue of \$1,661,243. For the year ended June 30, 2019, FEFP revenues of \$1,285,574 represented 76% of the total revenue of \$1,684,710.

The pre-kindergarten program is funded by tuition. For the years ended June 30, 2020 and 2019, pre-kindergarten tuition revenue is \$101,005 and \$81,076, respectively. Additionally, the School was awarded funds through Polk County's Early Learning Coalition (ELC) for VPK. For the years ended June 30, 2020 and 2019, VPK Program revenue totaled \$38,178 and \$61,364, respectively.

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 one governmental fund, the general fund. Fund balance in the general fund increased by \$49,635 for the year ended June 30, 2020, from \$242,555 in the prior year to \$292,190 in the current year. The increase in the general fund is caused primarily by an increase in FEFP revenue.

Capital Assets and Debt Administration

The School's balance of capital assets as of June 30, 2020, is \$208,760, less accumulated depreciation totaling \$51,708. Capital assets includes furniture, fixtures, and equipment for \$183,160, which is comprised of a copy machine, musical instrument sets, various pieces of office furniture and filing cabinets, a P.A. system and playground equipment. The balance also includes leasehold improvements for \$25,600, which includes glass doors, alarm and access control systems, fencing, and asphalt paving around the School's perimeter.

During fiscal year 2020, the School entered into a Payroll Protection Program loan agreement with a financial institution. The promissory note evidenced the Payroll Protection Program for \$21,605. The balance as of June 30, 2020 is \$21,605. The purpose of the loan was to fund payroll expenses for preschool teachers.

The School renewed a line of credit agreement with a financial institution. The promissory note evidenced a revolving line of credit of \$50,000. There were no draws on this line during the year and no outstanding balance as of June 30, 2020.

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 the fiscal year 2020 and 2019 were approximately 195 and 198 full-time equivalent (FTE) students from kindergarten through eighth grade, respectively. Enrollment numbers are expected to continue at full capacity for 2020.

**CYPRESS JUNCTION MONTESSORI, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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, 2020

	Governmental Activities
ASSETS	
Cash	\$ 380,458
Due from School Board of Polk County	8,174
Deposits	7,953
Prepaid Expenses	7,799
Capital Assets, Net	157,052
Total Assets	561,436
CURRENT LIABILITIES	
Accounts Payable	15,935
Accrued Wages and Benefits	90,950
Unearned Revenue	5,309
Note Payable - Current	10,717
Total Current Liabilities	122,911
NONCURRENT LIABILITIES	
Note Payable - Noncurrent	10,888
Total Noncurrent Liabilities	10,888
Total Liabilities	133,799
NET POSITION	
Investment in Capital Assets	157,052
Restricted	60,148
Unrestricted	210,437
Total Net Position	\$ 427,637

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position
Governmental Activities:					
Instruction	\$ 738,047	\$ 11,905	\$ 71,215	\$ -	\$ (654,927)
Exceptional Education Services	84,595	-	-	-	(84,595)
Pre-Kindergarten	106,817	101,005	38,178	-	32,366
Instructional Staff Training	21,991	-	-	-	(21,991)
Board	23,175	-	-	-	(23,175)
General Administration	1,470	-	-	-	(1,470)
School Administration	325,084	5,824	-	-	(319,260)
Fiscal Services	12,535	-	-	-	(12,535)
Food Services	4,263	117	-	-	(4,146)
Pupil Transportation Services	54,435	-	-	-	(54,435)
Operation of Plant	247,844	-	-	98,597	(149,247)
Community Services	-	2,028	-	-	2,028
	<u>\$ 1,620,256</u>	<u>\$ 120,879</u>	<u>\$ 109,393</u>	<u>\$ 98,597</u>	
Total Governmental Activities					(1,291,387)
General Revenues:					
State through Local Sources					1,332,374
CHANGE IN NET POSITION					40,987
Net Position - Beginning of Year					386,650
NET POSITION - END OF YEAR					\$ 427,637

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>General Fund</u>
ASSETS	
Cash	\$ 380,458
Receivable from School Board of Polk County	8,174
Deposits	7,953
Prepays	7,799
Total Assets	\$ 404,384
LIABILITIES	
Accounts Payable	\$ 15,935
Accrued Wages and Benefits	90,950
Unearned Revenue	5,309
Total Liabilities	112,194
FUND BALANCES	
Nonspendable	15,752
Restricted	60,148
Unassigned	216,290
Total Fund Balances	292,190
Total Liabilities and Fund Balances	\$ 404,384

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total fund balance for governmental funds	\$ 292,190
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.	<u>157,052</u>
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>(21,605)</u>
Total Net Position of Governmental Activities	<u><u>\$ 427,637</u></u>

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>
REVENUES	
State through Local Sources:	
Florida Education Finance Program	\$ 1,332,374
VPK Program	38,178
School Recognition and Teacher Excellence	17,215
Capital Outlay	98,597
Local Sources:	
Contributions and Donations	21,210
Tuition and Fees	120,879
Other Revenues	3,432
State through Federal Sources:	
Individuals with Disabilities Education Act (IDEA)	20,879
Title II, Part A	8,479
Total Revenues	1,661,243
EXPENDITURES	
Current:	
Instruction	719,427
Exceptional Education Services	84,595
Pre-Kindergarten	106,817
Instructional Staff Training	21,991
Board	23,175
General Administration	1,470
School Administration	320,991
Fiscal Services	12,535
Food Services	4,263
Pupil Transportation Services	54,435
Operation of Plant	247,844
Capital Outlay	35,670
Total Expenditures	1,633,213
OTHER FINANCING SOURCES	
Proceeds from Debt	21,605
NET CHANGE IN FUND BALANCE	49,635
Fund Balance - Beginning of the Year	242,555
FUND BALANCE - END OF YEAR	\$ 292,190

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balance - Governmental Funds	\$	49,635
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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:</p>		
Capital Outlay	\$ 35,670	
Depreciation Expense	<u>(22,713)</u>	12,957
<p>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.</p>		
Debt Issuance	<u>(21,605)</u>	<u>(21,605)</u>
Change in Net Position of Governmental Activities	\$	<u><u>40,987</u></u>

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.
STATEMENT OF FIDUCIARY NET POSITION
SCHOOL INTERNAL FUNDS
JUNE 30, 2020**

ASSETS

Cash	\$ 5,004
Total Assets	<u>\$ 5,004</u>

LIABILITIES

Due to Others	\$ 5,004
Total Liabilities	<u>\$ 5,004</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (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 fund:

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.

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, 2020, the School had no investments.

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 acquisition value at the date of donation. Minimum capitalization costs are \$1,000 for all items with a useful life of greater than one year.

CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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 to seven years for its furniture and equipment. Leasehold improvements are depreciated using the straight-line method over the lesser of the useful life or the term of the lease.

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. There are no interfund receivables and payables as of June 30, 2020.

Compensated Absences

Employees have ten total paid days of annual leave. If more days of leave are used than have been accrued during the term of the contract, the employee's next paycheck shall be deducted for each missed day as personal leave without pay. Any unused vacation days shall be subject to a buy-back, and the rate will be the per diem percentage of the employee's salary. This amount shall be paid along with employee earnings on the last pay period of the School's fiscal year. Thus, there is no long-term liability recognized for compensated absences since any accrued, unused time is paid to employees as part of regular payroll remittances on the last pay period at year-end.

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 \$15,752 at June 30, 2020, which consisted of the school building's rental safety deposit and water and sewer deposit with the city of Winter Haven and a deposit towards construction of a shade structure.

Spendable fund balances are further segregated into four 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 or imposed by law through constitutional provisions or enabling legislation. There was \$60,148 of restricted fund balance in the general fund as of June 30, 2020.

CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance and Spending Policy (Continued)

Committed – Amounts that can be used only for the specific purposes determined by a formal action of the board of directors, the School's highest level of decision-making authority. Commitments may be changed or lifted only by the School's governing board taking the same formal action that imposed the constraint originally. There was no committed fund balance reported by the School as of June 30, 2020.

Assigned – Amounts that include spendable fund balance amounts established by the School that are intended to be used for a specific purpose that are neither considered restricted or committed. There was no assigned fund balance reported by the School as of June 30, 2020.

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 \$216,290 as of June 30, 2020.

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.

**CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 CASH

Custodial credit risk is defined as the risk that, in the event of bank failure, the School'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).

At June 30, 2020, the book balance of the School's deposits was \$380,458 relating to the governmental funds and \$5,004 relating to the School's internal funds, and the bank balance was \$398,707. The difference between book and bank balances is due to outstanding checks and deposits in transit.

NOTE 4 CAPITAL ASSETS

The following summarizes capital asset activity for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital Assets - Depreciable:				
Furniture, Fixtures, and Equipment	\$ 147,490	\$ 35,670	\$ -	\$ 183,160
Leasehold Improvements	25,600	-	-	25,600
Less: Accumulated Depreciation	(28,995)	(22,713)	-	(51,708)
Total Capital Assets being Depreciated, Net	<u>144,095</u>	<u>12,957</u>	<u>-</u>	<u>157,052</u>
Total Capital Assets, Net	<u>\$ 144,095</u>	<u>\$ 12,957</u>	<u>\$ -</u>	<u>\$ 157,052</u>

Depreciation totaling \$22,713 for the year ended June 30, 2020 was allocated to governmental activities, between Instruction of \$18,170 and School Administration of \$4,543.

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.

**CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 COMMITMENTS

In February 2016, the School entered into a five-year building 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.

NOTE 7 LONG-TERM DEBT

The following is a summary of the notes payable activity for the year ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Note Payable	\$ -	\$ 21,605	\$ -	\$ 21,605	10,717

In April 2020, the School entered into a loan agreement with a financial institution in the amount of \$21,605 through the federal Paycheck Protection Program. The final maturity of the note is March 2022 with an interest rate of 1%. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

The following is a schedule of future debt service requirements:

Year Ending	Principal	Interest	Total
2021	\$ 10,717	\$ 217	\$ 10,934
2022	10,888	45	10,933
	\$ 21,605	\$ 262	\$ 21,867

The School renewed its revolving line of credit in the amount of \$50,000 which expires February 2021. There were no draws on the line of credit during the fiscal year. There is no outstanding line of credit balance as of June 30, 2020.

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 in the previous three years.

CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 EMPLOYEE BENEFIT PLANS

The School has adopted the Cypress Junction Montessori 403(b) Plan, which is available to all employees meeting certain age and service requirements. The plan allows employees to defer up to 100% of their salaries as contributions subject to Internal Revenue Code maximum limitations. The School may also make matching contributions or a discretionary contribution to the plan, which is determined annually. The School contributed approximately \$18,000 to the plan as a match for the year ended June 30, 2020. There were no discretionary matches.

NOTE 10 SUBSEQUENT EVENTS

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

CYPRESS JUNCTION MONTESSORI, INC.
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State through Local Sources:				
Florida Education Finance Program	\$ 1,238,738	\$ 1,225,324	\$ 1,332,374	\$ 107,050
VPK Program	36,000	32,000	38,178	6,178
School Recognition and Teacher Excellence	-	17,380	17,215	(165)
Capital Outlay	74,000	90,000	98,597	8,597
Local Sources:				
Contributions and Donations	-	21,000	21,210	210
Tuition and Fees	206,000	162,100	120,879	(41,221)
Other Revenues	3,160	3,432	3,432	-
State through Federal Sources:				
Individuals with Disabilities Education Act (IDEA)	15,354	20,879	20,879	-
Title II, Part A	-	8,479	8,479	-
Total Revenues	<u>1,573,252</u>	<u>1,580,594</u>	<u>1,661,243</u>	<u>80,649</u>
EXPENDITURES				
Current:				
Instruction	771,526	733,079	719,427	13,652
Exceptional Education Services	15,354	83,140	84,595	(1,455)
Pre-Kindergarten	114,087	116,411	106,817	9,594
Instructional Staff Training	22,600	25,600	21,991	3,609
Instructional Technology	2,000	2,000	-	2,000
Board	24,000	24,500	23,175	1,325
General Administration	2,000	2,000	1,470	530
School Administration	262,775	263,586	320,991	(57,405)
Fiscal Services	12,000	12,000	12,535	(535)
Food Services	25,000	6,000	4,263	1,737
Pupil Transportation Services	57,000	57,000	54,435	2,565
Operation of Plant	261,666	253,856	247,844	6,012
Capital Outlay	-	-	35,670	(35,670)
Debt Service:				
Interest and Other Fiscal Charges	520	-	-	-
Total Expenditures	<u>1,570,528</u>	<u>1,579,173</u>	<u>1,633,213</u>	<u>(54,040)</u>
OTHER FINANCING SOURCES				
Proceeds from Debt	-	-	21,605	(21,605)
NET CHANGE IN FUND BALANCE	<u>\$ 2,724</u>	<u>\$ 1,422</u>	49,635	<u>\$ (48,213)</u>
Fund Balance - Beginning of Year			<u>242,555</u>	
FUND BALANCE - END OF YEAR			<u>\$ 292,190</u>	

CYPRESS JUNCTION MONTESSORI, INC.
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2020

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.



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 and Management
Cypress Junction Montessori, Inc.
Winter Haven, 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 aggregate remaining fund information of Cypress Junction Montessori, Inc. (the School), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 21, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Tampa, Florida
August 21, 2020



MANAGEMENT LETTER

Board of Directors
Cypress Junction Montessori, Inc.
Winter Haven, 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, 2020, and have issued our report thereon dated August 21, 2020.

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 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 August 21, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. See Appendix A for the current year status of 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 Cypress Junction Montessori, Inc. and 8171.

Financial Condition and Management

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

Board of Directors
Cypress Junction Montessori, Inc.

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

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

Transparency

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

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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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
August 21, 2020

**CYPRESS JUNCTION MONTESSORI, INC.
 APPENDIX A – PRIOR YEAR FINDINGS AND RECOMMENDATIONS
 YEAR ENDED JUNE 30, 2020**

Prior Year Findings		Current Year Status		
Finding Reference #	Comment	Cleared	Partially Cleared	Not Cleared
2019-001	2019-001: Credit Card Review Policy	x		
2019-002	Public Depositor Annual Report to the Chief Financial Officer Form	x		