

School District of Palm Beach County
CHARTER SCHOOL ANNUAL FINANCIAL REVIEW

CHARTER SCHOOL: Montessori Academy of Early Enrichment - 3394

REVIEWED BY: William Z. Dufresne

DATE OF FINAL REVIEW: 12.4.2020

Each reviewer will complete a review document by marking as follows:

COMPLIANT - Appropriate information and/or evidence of documentation is in place.

NON-COMPLIANT - Necessary information and/or evidence of documentation incomplete or is not in place at any level.

N/A - Not Applicable-Explain in comment section.

FINANCE & OPERATIONS				
Indicators	C	N	N/A	COMMENTS
1. BUDGET PREPARATIONS				
a. Evidence of an established budget planning process. Provide a copy of procedures or provide a narrative of the budget process.	X			Financial Policies and Procedure Manual includes budget planning process
b. Evidence that budget has been approved by the Governing Board and is monitored regularly to safeguard finances. (Copy of minutes)	X			Board minutes showing approval of the operating budget provided
c. Evidence that budget amendments are approved by board. (Copy of minutes)	X			Board minutes showing approval of amended budgets provided
d. The Board - approved budget was submitted to the District in a timely manner. (By July 31)	X			Submitted Timely 7.21.2019
2. FINANCIAL ACCOUNTING				
a. Evidence of fiscal accounting system for various funds – General, Special Revenue, Capital Outlay.	X			School maintains accounting system with separate General, Special Revenue, and Capital Outlay Funds
b. Evidence that expenditures did not exceed available resources in each fund.		X		Overall, expenditures exceeded revenues for fiscal year 2020.
c. Evidence the school has financial accounting policies and procedures that meet generally accepted standards of fiscal management and are implemented . (Copy of and access to procedures manual and other requested documents to support that policies have been implemented).	X			Financial Policies and Procedure Manual provided. School appears to have implemented and follow board adopted policies and procedures.
d. Evidence that monthly financial statements are prepared using the FDOE required format.	X			
e. Evidence that monthly financial statements submitted timely and correct.	X			Monthly financial statements were submitted timely and correct.

FINANCE & OPERATIONS				
Indicators	C	N	N/A	COMMENTS
f. Evidence that capital expenditures (if applicable) are reported separately on the monthly and/or annual financial statements and expended in accordance with 1013.62 F.S. Provide a detail of all capital outlay related expenditures.	X			Capital Outlay is reported separately on the monthly financial statements. PECO revenue was \$111,393. Total rent for FY20 is \$228,168. The expenses appear to comply with 1013.32 F.S.
g. Evidence of established system of accounting for fixed assets in accordance with FL Admin Code Ch. 69I-73. (Provide a copy of procedures or provide a narrative of the fixed asset accounting process.)	X			Financial Policies and Procedure Manual provided includes policies and procedures for fixed assets.
h. Evidence property records inventory was performed and submitted timely (Copy of report submitted by September 30). FL Admin. Code Ch. 69I-73		X		Annual Property Inventory was submitted missing require information, resubmitted LATE (Repeat Issue)
i. Cost report was prepared correctly and submitted timely. (By July 31)	X			Cost Report was submitted timely and correct
j. Evidence that school is in compliance with prompt payment and other payment terms. Provide detail of accrued liabilities including AP aging, notes, loans, lines of credit and/or related party transactions.	X			School had no Accounts Payable as of 12.31.2019
3. MONITORING AND AUDITS				
a. Evidence that audited annual financial report is prepared in accordance with GASB 34 requirements and submitted by the required date.	X			Audit prepared in accordance with GASB 34 and submitted timely
b. Evidence that there are no material weaknesses or significant deficiencies in internal controls identified by a qualified independent auditor.	X			Independent External Auditor did not identify any material weaknesses or deficiencies.
c. Evidence that audit management letter response and Corrective Action Plan for current and repeat audit findings was approved by the Board. (Copy of report, Corrective Action Plan, and minutes)	X			No findings or recommendations reported by Independent External Auditor
d. Evidence that school provided access to requested documents and cooperated with District's Inspector General, auditor and/or other school official monitoring the school.	X			School is responsive to District communications via CharterTools and email.
4. GRANT ACCOUNTING (IF APPLICABLE)				
a. Established grant accounting procedures. (Copy of or access to procedures manual.) Uniform Grant Guidance (UGG) (aka Super Circular or Omni Circular)	X			Financial Policies and Procedure Manual provided includes policies and procedures for grants.

FINANCE & OPERATIONS				
Indicators	C	N	N/A	COMMENTS
b. Grant reimbursements comply with federal grant requirements and were submitted timely.	X			Grant reimbursement requests appear to comply with Federal grant requirements
c. Grant funds accounted for separately were identified in the monthly, quarterly and annual financial statements.	X			Federal grant funds are separately reported in a special revenue fund.
5. OTHER STATUTORY REQUIREMENTS				
a. Evidence financial corrective action plan has been established (if applicable) and submitted to the PBC School District.			X	
b. Evidence of compliance with class size reduction as applicable to charter schools.	X			School was in compliance with class size reduction per FLDOE
c. Evidence that Florida Teachers Classroom Supply (Lead Teacher) was paid to teachers by September 30 th of each year.	X			Teachers were paid the proper amount of Supply funds by September 30th, as required by statute.
d. The Charter School's website includes the school's annual budget, the independent fiscal audit, and the minutes of the governing board meetings (at least quarterly).		X		Independent Auditor determined the school maintains the information specified in Section 1002.33(9)(p) on its website. The District was unable to confirm the auditor's determination. *Please see notes below*
6. FINANCIAL VIABILITY				
a. Maintains positive financial trends.	X			Overall Financial trends appear to be stable. *Please see Notes and indicators below*
b. Maintain an adequate fund balance.	X			FY20 Ending General Fund Balance per audit was \$288,150 *Please see Notes and indicators below*
c. Maintained steady FTE counts.	X			FY 2016 FTE – 204.61 FY 2017 FTE – 177.90 FY 2018 FTE – 168.00 FY 2019 FTE – 180.22 FY 2020 FTE – 176.68

Signature _____



Date _____

RATING

_____ **Satisfactory:** The processes are generally effective (1) **no more than three** indicators are rated non-complaint, (2) **none** of the indicators are material repeat findings, and (3) the school is not in a deteriorating financial condition or there are no issues of material non-compliance identified by the district.

___ **X** ___ **Needs Improvement:** The processes are only partially effective (1) **no more than ten** indicators are rated non-complaint, (2) **no more than three** of the indicators are repeat findings, and (3) the school is not in a deteriorating financial condition or there are no issues of material non-compliance identified by the district.

_____ **Unsatisfactory:** Neither of the above (1) more than ten indicators are rated non-compliant, or (2) the school meets criteria for deteriorating financial condition or there are issues of material non-compliance identified by the district.

*NOTES:

Charter School Website – The District was unable to confirm the auditor’s determination. The website does not appear to be updated with the required information. The most recent board meeting minutes are from July 2019. The budget provided is from fiscal year 2019. The most recent financial statement audit is from fiscal year 2019.

Maintains positive financial trends – While the financial indicators for the Fund Financial Statements show positive increases, this appears mainly due to financing activities (**PPP Loan \$205,242**) not from regular operations.

Maintain adequate fund balance – As with the note regarding positive financial trends, even though general fund balance showed an increase throughout the year, it was due to financing activities. Operating expenditures actually exceeded revenues for FY2020. General Fund balance only increased due to loan funds received.

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

Financial Indicators for:

Montessori Academy of Early Enrichment 3394						
FY 2019-20						
Indicator	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Comments
FTE	204.61	177.9	168	180.22	176.68	
Government Wide Statements						
Net Asset(Deficit)	\$ 327,776	\$ 417,931	\$ 310,873	\$ 298,434	\$ 178,545	Declining results. Deficits may indicate financial emergency.
Net Asset(Deficit)/Total Expenditure	15.89%	23.62%	16.58%	16.02%	9.78%	Percentages decreasing over time may lead to future budgetary problems.
Unrestricted Days of Cash - Unrestricted Cash/((Total Expenses-Depreciation Expense)/365)	27.81	55.26	24.66	29.91	61.62	Decreased numbers indicates that the school has insufficient cash to meet its cash obligations. Available cash should be a minimum of 30 days.
Debt to Asset Ratio (Total Liabilities/Total Assets)	0.23	0.15	0.22	0.19	0.60	Increasing trends demonstrate the schools reliance on borrowed funds to finance its operations.
Fund Financial Statements (General Fund only)						
**Fund Balance (Deficit)	\$ 91,133	\$ 212,620	\$ 99,437	\$ 145,966	\$ 288,150	Declining results. Deficits may indicate financial emergency.
Fund Balance(Deficit)/ Total Expenditures	4.85%	13.70%	5.96%	9.19%	18.32%	Percentages decreasing over time may indicate unstructured budgets that could lead to future budgetary problems even if the current fund balance is positive.
(Assigned +Unassigned General Fund Balance)/Total General Fund Operating Revenues	4.49%	11.87%	2.81%	6.87%	16.88%	Percentages less than 3% indicate that the school is not retaining adequate fund balance to withstand financial emergencies.
Cash Asset Ratio (Cash & Investments/Current Liability)	1.65	3.59	1.46	2.18	4.70	Ratios decreasing over time indicates difficulty raising the cash needed to meet its current needs.
Excess of Revenues Over (Under) Expenditures/ Total Revenues	-9.49%	7.26%	-7.28%	2.85%	-4.18%	Increasing deficits may indicate that current revenues are not supporting current expenditures.
Current Ratio (Current Assets/Current Liabilities)	1.96	3.85	2.15	3.08	5.39	Decreasing trends indicates a schools ability to no longer meet obligations over the next 12 months.
One Year Cash Flow (CY Total Cash-PY Total Cash)	\$ (161,205)	\$ 110,718	\$ (141,172)	\$ 25,988	\$ 155,631	These two ratios are reviewed together. If there is a negative cash flow over time, this may indicate problems with financial health and sustainability of the school.
Multi Year Cash Flow (Change in cash in CY plus prior two years)	-\$3,592	\$59,902	-\$191,659	-\$4,466	\$40,447	
Change in FTE from PY (Change in prior year FTE/Prior Year FTE)	-1.62%	-13.05%	-5.56%	7.27%	-1.96%	Steady ratios indicate student enrollments from year to year are stable.