

**CORAL REEF MONTESSORI ACADEMY
CHARTER SCHOOL
(A COMPONENT UNIT OF THE SCHOOL
BOARD OF MIAMI-DADE COUNTY,
FLORIDA)**

**BASIC FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT AND
SUPPLEMENTAL INFORMATION**

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
BASIC FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT AND SUPPLEMENTAL
INFORMATION

JUNE 30, 2017

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BASIC FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT AND
SUPPLEMENTAL INFORMATION**

JUNE 30, 2017

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CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
(A Charter School Under Coral Reef Montessori Academy Charter School, Inc.)

10853 S.W. 216th Street
Miami, Florida 33170
(305) 255-0064

2016-2017

BOARD OF DIRECTORS

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Mr. Nestor Torres
Mr. Ricardo Alvarez
Mr. Samuel C. Jackson

SCHOOL ADMINISTRATION

Ms. Lucy Canzoneri-Golden, Co-Director
Ms. Juliet King, Co-Director



INDEPENDENT AUDITORS' REPORT

Board of Directors
Coral Reef Montessori Academy Charter School
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Coral Reef Montessori Academy Charter School (the “School”), a charter school under Coral Reef Montessori Academy Charter School, Inc., and component unit of the District School Board of Miami-Dade County, Florida, 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 as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 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 on pages 5 through 12, the FRS and HIS Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 36 and 37 and the budgetary comparison information on pages 33 through 35 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and are fairly stated, in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 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 results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 31, 2017

Management's Discussion and Analysis
Coral Reef Montessori Academy Charter School
June 30, 2017

The corporate officers of Coral Reef Montessori Academy Charter School (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2017.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2017 by \$118,604 (net position).
2. At year-end, the School had current assets on hand of \$441,963.
3. The net position of the School decreased by \$65,244 during the year after a pension liability adjustment of \$95,976.
4. The unassigned fund balance decreased by \$650,625 for the year ended June 30, 2017 to a deficit of \$26,454 due to new construction costs of approximately \$680,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2017 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The difference is reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event resulting in the change occurs, without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 13 – 14 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

Prior to the start of the School's fiscal year, the Board of the School adopts an annual budget for its general, special revenue and capital projects fund. A budgetary comparison statement has been provided for the School's governmental funds to demonstrate compliance with the School's budget. The basic governmental fund financial statements can be found on pages 15 - 19 of this report.

The agency fund statement provides information about the financial relationship in which the School acts solely as an agent for the benefit of others. The School is fiduciary for assets that belong to others, such as the student activity funds. The School is responsible for ensuring that the assets reported in these activity funds are used only for the intended purposes and by those for whom the assets are contributed. The School excludes these activities from the Statement of Net Position because it cannot use these funds to finance its operations. The agency fund statement can be found on page 19 of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 20 - 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a school's financial position. A summary of the School's net position as of June 30, 2017 and 2016 follows:

Assets and Deferred Outflows of Resources	2017	2016
Cash	\$ 298,528	\$ 728,364
Due from governmental agencies & internal fund	143,435	103,425
Capital assets, net	<u>4,412,995</u>	<u>3,837,649</u>
Total Assets	4,854,958	4,669,438
Deferred outflows of resources	<u>701,005</u>	<u>384,499</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,555,963</u>	<u>\$ 5,053,937</u>
 Liabilities, Deferred Inflows of Resources and Net Position		
Accounts and wages payable	\$ 468,417	\$ 207,618
Note payable	3,047,985	3,153,996
Net pension liability	<u>1,649,674</u>	<u>1,162,807</u>
Total Liabilities	5,166,076	4,524,421
Deferred inflows of resources	271,283	345,668
Net investment in capital assets	1,365,010	683,653
Deficit in accounting for net position liability/Deferred Outflows and Inflows of Resources	(1,219,952)	(1,123,976)
Unrestricted	<u>(26,454)</u>	<u>624,171</u>
Total Net Position	<u>118,604</u>	<u>183,848</u>
 Total Liabilities/Deferred Inflows of Resources and Net Position	 <u>\$ 5,555,963</u>	 <u>\$ 5,053,937</u>

At June 30, 2017, the School's total assets and deferred outflows of resources were \$5,555,963 and total liabilities and deferred inflows of resources were \$5,437,359. At the end of the fiscal year, the School is able to report a continued positive balance of \$118,604 in the categories of net position with a net decrease of \$65,244 for the year ended June 30, 2017.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2017 and 2016 were as follows:

REVENUES	2017	2016
Program Revenues		
Federal sources	\$ 24,194	\$ 26,270
Capital outlay funding	120,961	144,372
Charges for services	43,408	45,515
General Revenues		
State and local sources	2,998,490	2,953,371
Miscellaneous revenue	60,427	27,810
Interest earnings	633	724
Total Revenues	<u>\$ 3,248,113</u>	<u>\$ 3,198,062</u>
EXPENSES		
Instructional services	\$ 1,943,209	\$ 1,911,550
Pupil personnel services	46,889	36,004
Instructional staff training services	19,235	16,575
Board	17,670	16,747
General administration	82,682	34,074
School administration	405,065	389,381
Facilities acquisition & construction	15,982	23,709
Fiscal services	15,702	29,497
Food services	50,378	50,538
Operation of plant	200,650	137,496
Maintenance of plant	56,080	86,826
Administrative technology services	29,543	38,324
Community services	41,554	36,289
Interest expense	179,397	189,163
Unallocated depreciation	113,345	117,116
Total Expenses	<u>3,217,381</u>	<u>3,113,289</u>
Pension liability adjustment expense	<u>(95,976)</u>	<u>(68,031)</u>
Change in Net Position	(65,244)	16,742
Net Position	183,848	1,223,051
Restatement	-	(1,055,945)
Net Position at Beginning of Year	<u>183,848</u>	<u>167,106</u>
Net Position at End of Year	<u>\$ 118,604</u>	<u>\$ 183,848</u>

The School's net position decreased by \$65,244 for the year ended June 30, 2017 mainly due because of the School's implementation of GASB 68, requiring the recording of the School's net pension liability regarding the FRS and HIS Pension and Insurance Programs.

Achievement

As of August 31, 2017 the School was awarded a letter grade of "A". We are very proud of this accomplishment as the School went from a "C" in 2016 to an "A" in 2017. After several data analysis meetings over the summer with the administrative staff, the School realized that they were able to report substantial improvement in many academic areas.

Below are some highlights of the progress made in the standardized test scores for the 2016-2017 Fiscal Year:

- According to the Stanford Achievement Test (SAT), in 2016, the average percentile for kindergarten reading was 74%. In 2017, the average percentile increased to 81%.
- On the administration of the 2017 FSA/ELA, 85% of the School's third graders were proficient as compared to 65% in 2016; beating the District and the State averages of 58%.
- On the administration of the 2017 Mathematics FSA, 73% of the School's third graders were proficient as compared to 65% in 2016; beating the District and the State proficiency rates of 66% and 62%, respectively.
- In 2016, according to the FCAT Science Test, only 38% of the School's 8th graders were proficient as compared to 56% in 2017; beating the state average of 48% and the District's average of 42%.
- In 2017, 80% of the School's Algebra I students passed the EOC including three 6th graders who were enrolled for the first time.
- In 2017, 100% of the School's Geometry students passed the EOC.
- The School doubled the number of middle school students enrolled in advanced classes (high school courses) over the previous year.
- Students in the Thespian Honors Society all received excellent and/or superior in State Competitions.

The School's continued success and greatest achievement was having completed the Accreditation Progress Report (APR) established by the Advanced Accreditation Commission and Board of Trustees, and hereby accredited by the Southern Association of Colleges and Schools Council on Accreditation and School Improvement. The APR was based on 3 recommendations given to the School to complete after the first year of accreditation status through 2017. The School successfully complied with all the required actions. As a Full Member School with American Montessori Association, this year, we were approved to embark on a dual accreditation with both SACS and AMS. The School also holds membership with the International Montessori Council and South Florida Charter Schools Consortium. In addition the school was accepted into the district's STEAM program and is awaiting their designation for completing the program for the 2016-2017 school year.

The School's students and staff, ever mindful of their humanitarian obligations, received recognition from a number of community based organizations for their support. We created organic gardens in the Kindergarten through 6th grade, and an indoor garden in the middle school. The School participated in school wide recycling, and the Mangrove Reclamation Project. The School's Chess Club continues to be nationally ranked. The School once again participated in "Trick or Treat for UNCEF."

The Peace Committee, a group of students who represent the School at the United Nations each year learned and discussed world issues, and participated in Global Citizens Action Project GCAP. They chose to support one global project, “Save the Rain” and raised over \$1,500. They also sponsored an international toothbrush drive, a toy collection for the migrant farmers’ families through M.U.J.E.R, clothes and supplies for a charitable organization in Venezuela, and a school supplies collection for The Children of Haiti Enhancement Fund, COHEF.

The School also participated in raising money for St. Jude’s Children Hospital and the American Cancer Society. Locally, the School continued to support: Dade County Chapter of the Links Foundation and food drives such as St. Andrews Church, the Camillus House and Community Partnership for the Homeless, and donated to Community Blood Center of South Florida, Lilly’s Light (which funds lung cancer research). The physical education teacher conducted the “Jump for Heart” fundraiser with all students in grades 1st – 6th.

The students in 4th – 6th went to Kennedy Space Center and The Everglades to support their STEAM studies and the Middle School students went to the Environmental Nature Classroom Lab for one week in New Hampshire and conducted a beach clean up at Cramdon Park. The School continues to foster an ongoing relationship with the Miami-Dade Department of Cultural Affairs and has participated in many field trips with Miami’s Cultural Educational Institutes.

The School is proud to be participating in Anti Bias- Anti Racist Culturally Relevant Curriculum and completed its first of two-year literature series concentrating on the African- America experience. The most exciting endeavor is the expansion of 11 new state of the art classrooms, applying for LEED certification, which stands for Leadership Energy Environmental Design. The School is now registered with the United State Building Council and we are expecting to receive the “silver” designation. This ambitious prestigious, sustainable process is providing an opportunity for our students to continue to expand on the Science Technology Engineering Arts Mathematics (STEAM) program by greater participation in district-wide competitions, food production into the curriculum, a new “food forest”, with fruit trees including both native and adaptive species, a pollinating habitat and two gardens per class, including 20 organic Hugelkultur beds.

School Location

The School operates in the Miami area from its facility located at 10853 S.W. 216 Street, Miami, FL 33170.

Capital Improvement Requirement

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the School's governmental funds reported a combined deficit in the School's fund balances of \$26,454, a decrease of \$650,625 in comparison with the prior year due to the new construction at the School's facilities of approximately \$680,000.

Capital Assets

The School's investment in capital assets as of June 30, 2017 amounts to \$4,412,995 (net of accumulated depreciation) respectively. The investment in capital assets includes land, improvements other than buildings, school building, furniture, fixtures and computer equipment. During the year ended June 30, 2017, the School constructed or purchased \$683,712 of fixed assets.

Note Payable, Net of Loan Costs

In February 2015, the School modified its existing loan originally obtained in January 2008 in the amount of \$3,325,000. The note is collateralized by the School's building and land and is guaranteed by the School's co-directors and matures in February 2022. The note payable bears interest of 4.50%. The balance at June 30, 2017 was \$3,066,485. For the year ended June 30, 2017, the School made principal repayments of \$110,990.

Subsequent to year-end, the School replaced the note above and increased the total available amount by \$1,768,964 through a non-revolving line of credit. After the completion of eight months from the closing date of July 24, 2017, the increase of \$1,768,964 will be consolidated with the remaining balance of \$3,066,485. The maturity date, collateral and interest rate will all remain the same as per above.

General Fund Budget Analysis and Highlights

Prior to the start of the School’s fiscal year, the Board of the School adopted an annual budget. A budgetary comparison statement has been provided for the School’s funds to demonstrate compliance with the School’s budget.

	All Governmental Funds		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 2,947,900	\$ 2,947,900	\$ 2,998,490
Federal school lunch and contributions	62,900	62,900	24,194
State capital outlay funding	144,900	144,900	120,961
Charges for services	186,300	186,300	43,408
Miscellaneous and interest income	70,000	70,000	61,060
TOTAL REVENUES	\$ 3,412,000	\$ 3,412,000	\$ 3,248,113
EXPENDITURES			
Instructional services	\$ 1,852,300	\$ 1,852,300	\$ 1,943,209
Pupil personnel services	35,400	35,400	46,889
Instructional staff training services	15,400	15,400	19,235
Board	17,000	17,000	17,670
General administration	85,800	85,800	82,682
School administration	332,400	332,400	405,065
Facilities acquisition, construction and other capital outlay	91,188	91,188	699,694
Fiscal services	20,100	20,100	15,702
Food services	66,700	66,700	50,378
Community services	38,000	38,000	41,554
Administrative technology services	35,000	35,000	29,543
Operation of plant	144,900	144,900	200,650
Maintenance of plant	109,800	109,800	56,080
Debt services	393,300	393,300	290,387
TOTAL EXPENDITURES	3,237,288	3,237,288	3,898,738
Excess of revenues over expenditures	174,712	174,712	(650,625)
Other financing sources (uses)	-	-	-
Net change in fund balance	\$ 174,712	\$ 174,712	\$ (650,625)

Requests for Information

This financial report is intended to provide a general overview of the finances of the School. Requests for additional information may be addressed to Ms. Juliet King and Lucy Golden, Co-Directors, located at 10853 SW 216 Street, Miami, Florida 33170.

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and cash equivalents	\$ 298,528
Accounts receivable	112,696
Due from internal fund	30,739
Total current assets	<u>441,963</u>

CAPITAL ASSETS

Land	980,909
Building and improvements	4,418,969
Less accumulated depreciation	(1,068,664)
Improvements other than buildings	90,000
Less accumulated depreciation	(16,160)
Furniture, fixtures and computer equipment	264,239
Less accumulated depreciation	(256,298)
Total capital assets	<u>4,412,995</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources FRS/HIS	701,005
Total deferred outflows of resources	<u>701,005</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS \$ 5,555,963

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 259,023
Wages and other payable	209,394
Note payable - current portion	116,982
Total current liabilities	<u>585,399</u>

Note payable - long term portion	2,931,003
Net pension liability	1,649,674

TOTAL LIABILITIES 5,166,076

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources FRS/HIS	271,283
Total deferred inflows of resources	<u>271,283</u>

NET POSITION

Net investment in capital assets 1,365,010
DEFERRED IN ACCOUNTING FOR NET PENSION LIABILITY/DEFERRED

Outflows and Inflows of Resources	(1,219,952)
Unrestricted	(26,454)

TOTAL NET POSITION 118,604

TOTAL LIABILITIES AND NET POSITION \$ 5,555,963

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

**CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions	Expenses	Charges for Services	Grants and Contributions	Capital Grants and Contributions	Net (Expense) and Change in Net Position
Governmental Activities:					
Instructional services	\$ 1,943,209	\$ -	\$ -	\$ -	\$ (1,943,209)
Pupil personnel services	46,889	-	-	-	(46,889)
Instructional staff training services	19,235	-	-	-	(19,235)
Board	17,670	-	-	-	(17,670)
General administration	82,682	-	-	-	(82,682)
School administration	405,065	-	-	-	(405,065)
Facilities acquisition & construction	15,982	-	-	-	(15,982)
Fiscal services	15,702	-	-	-	(15,702)
Food services	50,378	1,648	24,194	-	(24,536)
Operation of plant	200,650	-	-	120,961	(79,689)
Maintenance of plant	56,080	-	-	-	(56,080)
Administrative technology services	29,543	-	-	-	(29,543)
Community services	41,554	-	-	-	(41,554)
Interest on long-term debt	179,397	41,760	-	-	(137,637)
Unallocated depreciation expense	113,345	-	-	-	(113,345)
Total Governmental Activities	\$ 3,217,381	\$ 43,408	\$ 24,194	\$ 120,961	\$ (3,028,818)

GENERAL REVENUES:

State and local sources	\$ 2,998,490
Investment earnings	633
Miscellaneous revenue	60,427
Total general revenues	3,059,550
Pension liability adjustment expense	95,976
Change in Net Position	(65,244)
NET POSITION - beginning of year	183,848
NET POSITION - end of year	\$ 118,604

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

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$	298,528
Accounts receivable		112,696
Due from internal fund		30,739
TOTAL ASSETS	\$	441,963

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable and accrued liabilities	\$	259,023
Wages payable		209,394
TOTAL LIABILITIES		468,417

FUND BALANCE

Unassigned		(26,454)
TOTAL FUND BALANCE		(26,454)

TOTAL LIABILITIES AND FUND BALANCE	\$	441,963
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The accompanying notes to basic financial statements are an integral part of these statements.

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balance (Deficit) - Governmental Funds	\$ (26,454)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$5,754,117, net of accumulated depreciation of \$1,341,122 used in governmental activities are not financial resources and therefore are not reported in the fund.	4,412,995
Accounting for the School's participation in the FRS - the following amounts are reported in the Government-Wide Statements:	
Deferred Outflows	701,005
Deferred Inflows	(271,283)
Net Pension Liability	(1,649,674)
Loan costs of \$29,881, net of accumulated amortization of \$11,381 used in governmental activities are not financial resources and therefore are not reported in the fund.	18,500
Long-term liabilities of \$3,066,485 are not due and payable in the current period and therefore, are not reported in the funds.	<u>(3,066,485)</u>
Total Net Position - Governmental Activities	<u>\$ 118,604</u>

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

**CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	2017			
	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
State passed through local	\$ 2,998,490	\$ -	\$ -	\$ 2,998,490
State capital outlay funding	-	-	120,961	120,961
Federal school lunch and contributions	-	24,194	-	24,194
Charges for services	43,408	-	-	43,408
Miscellaneous income	60,427	-	-	60,427
Interest	633	-	-	633
TOTAL REVENUES	\$ 3,102,958	\$ 24,194	\$ 120,961	\$ 3,248,113
EXPENDITURES				
Current:				
Instructional services	\$ 1,943,209	\$ -	\$ -	\$ 1,943,209
Pupil personnel services	46,889	-	-	46,889
Instructional staff training services	19,235	-	-	19,235
Board	17,670	-	-	17,670
School administration	405,065	-	-	405,065
General administration	82,682	-	-	82,682
Facilities acquisition & construction	15,982	-	-	15,982
Fiscal services	15,702	-	-	15,702
Food services	26,184	24,194	-	50,378
Operation of plant	79,689	-	120,961	200,650
Maintenance of plant	56,080	-	-	56,080
Administrative technology services	29,543	-	-	29,543
Community services	41,554	-	-	41,554
Capital Outlay:				
Other capital outlay	683,712	-	-	683,712
Debt Service:				
Redemption of principal	110,990	-	-	110,990
Interest and fees	179,397	-	-	179,397
TOTAL EXPENDITURES	\$ 3,753,583	\$ 24,194	\$ 120,961	\$ 3,898,738
Excess of expenditures over revenues	(650,625)	-	-	(650,625)
Fund balance, beginning of year	624,171	-	-	624,171
Fund balance (Deficit), end of year	<u>\$ (26,454)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,454)</u>

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

**CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balance - Governmental Funds \$ (650,625)

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 outlays of \$683,712 exceeded depreciation of \$108,366. 575,346

Governmental funds report loan costs as expenditures. However, in the statement of activities, the costs of those assets is allocated over the estimated useful life and reported as amortization expense. This is the amount by which amortization expense of \$4,979 exceeded loan costs capitalized of \$0. (4,979)

Accounting for the School's participation in the Florida Retirement System: Pension liability adjustment expense (95,976)

The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments of \$110,990 exceeded proceeds of \$0 in the current period. 110,990

Change in Net Position of Governmental Activities \$ (65,244)

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

**CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Agency Fund Student Activity
ASSETS	
Cash	<u>\$ 30,739</u>
TOTAL ASSETS	<u><u>\$ 30,739</u></u>
LIABILITIES	
Due to general fund	<u>\$ 30,739</u>
TOTAL LIABILITIES	<u><u>\$ 30,739</u></u>

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

**CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – ORGANIZATION AND OPERATIONS

Reporting Entity

Coral Reef Montessori Academy Charter School, (the “School”) a component unit of the School Board of Miami-Dade County, Florida, the School is sponsored by its charter-holder, Coral Reef Montessori Academy Charter School, Inc. a not-for-profit corporation, organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors which is comprised of 6 members.

The general operating authority of Coral Reef Montessori Academy Charter School, (the “School”) is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Miami-Dade County, Florida (the “School Board”). The current charter is effective until June 30, 2028. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter in which case the School Board is required to notify the School in writing at least 90 days prior to the School’s expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown.

These financial statements are for the year ended June 30, 2017, when 430 students were enrolled in grades kindergarten through eighth.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits of States and Local Governments and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information for the School as a whole. Both statements report only governmental activities as the School does not engage in any business type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds, namely, the general, special revenue and capital project funds are reported as separate columns in the fund financial statements:

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund – is the School’s primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

Special Revenue Fund – used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.

Capital Projects Fund - used to account for financial resources used for the acquisition or construction of major capital facilities and for the proceeds and related expenditures of charter school capital outlay funding.

Additionally, the School reports the following fiduciary fund type:

Agency Funds

Agency funds account for assets held by the School in a custodial capacity. The reporting entity includes one agency fund. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency fund is a School Activities Fund. It accounts for monies collected and spent resulting from student activities at the School site level such as music, clubs and other similar activities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of Coral Reef Montessori Academy Charter School, (the “School”) are prepared in accordance with generally accepted accounting principles (GAAP). The School’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidelines*.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from non-exchange transactions are reported according to Governmental Accounting Standards Board (GASB) *Codification Section 1600.111 and Section N50 “Accounting and Financial Reporting for Non-Exchange Transactions”*. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 90 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay).

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The School's cash is considered to be cash on hand and demand deposits, with original maturities of three months or less.

Accounts receivable

Accounts receivable consists principally of management fees pending to be collected. Any bad debts are expensed in the period when they are determined to be uncollectible.

Due from Other Government or Agency

Due from other government or agency consists of grants receivable which were collected in the subsequent year. Since all receivables were collected subsequent to year end, an allowance for doubtful accounts is not necessary.

Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. The School capitalization levels are \$750 on tangible personal property. Other costs incurred for repairs and maintenance is expensed as incurred. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Furniture and equipment	5 Years
Computer equipment and software	7 Years
Building and improvements	39 Years

Long-term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities. Long term liabilities are due in more than one year.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Financing costs are reported as expenditures.

Compensated absences

The School grants a specific number of days of sick/personal leave. Full-time employees are eligible for one day per month of sick/personal leave up of to ten days of active work during the ten month period. Employees and administrators cannot forward unused days at year-end.

Government-Wide Fund Net Position

Government-wide fund net position are divided into three components:

- Net investment in capital assets – consists of the historical cost capital assets less accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets plus deferred outflows of resources less deferred inflows of resources. The net investment in capital assets for June 30, 2017 was \$1,365,010.
- Restricted net position – consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments less related liabilities and deferred inflows of resources. The restricted net position for the year ending June 30, 2017 was \$0.
- Unrestricted – all other net position is reported in this category.

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). There were \$0 in nonspendable fund balance at June 30, 2017.
- Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At June 30, 2017, there was no restricted fund balance.
- Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School’s Board of Directors. At June 30, 2017, there was no committed fund balance.
- Assigned – fund balance classification are intended to be used by the School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed. At June 30, 2017, there was no assigned fund balance.
- Unassigned – fund balance is the residual classification for the School’s general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance at the end of the fiscal year by adjusting journal entries. First, Non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Minimum Fund Balance

As of June 30, 2017, there are no minimum fund balance requirements for any of the School’s funds.

Comparative Data and Reclassifications

Comparative total data for the prior year have been presented only for the balance sheet and statement of revenues, expenditures and changes in fund balances for governmental funds in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Sources

Revenues for operations will be received primarily from the District School Board of Miami-Dade County (the "School Board") pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the School Board. Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. In addition, the School receives an annual allocation of charter school capital outlay funds for leasing of School facilities.

The School may also receive federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Subsequent Events

Subsequent events have been evaluated through August 31, 2017, which is the date the financial statements were available to be issued.

NOTE 3 – INCOME TAXES

Coral Reef Montessori Academy Charter School, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

NOTE 4 –CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2017:

	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
Capital Assets				
Land	\$ 980,909	\$ -	\$ -	\$ 980,909
Building & improvements	3,736,557	682,412	-	4,418,969
Improvements other than buildings	90,000	-	-	90,000
Furniture & equipment	262,939	1,300	-	264,239
Total Capital Assets	\$ 5,070,405	\$ 683,712	\$ -	\$ 5,754,117
Less Accumulated Depreciation				
Building & improvements	\$ (976,376)	\$ (92,075)	\$ -	\$ (1,068,451)
Improvements other than buildings	(13,852)	(2,308)	-	(16,160)
Furniture & equipment	(242,528)	(13,983)	-	(256,511)
Total Accumulated Depreciation	\$ (1,232,756)	\$ (108,366)	\$ -	\$ (1,341,122)
Capital Assets, net	\$ 3,837,649			\$ 4,412,995

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 – LOAN COSTS

The following schedule provides a summary of changes in loan costs for the year ended June 30, 2017:

	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
Loan costs	\$ 29,881	\$ -	\$ -	\$ 29,881
Accumulated amortization	(6,402)	(4,979)	-	(11,381)
	<u>\$ 23,479</u>	<u>\$ (4,979)</u>	<u>\$ -</u>	<u>\$ 18,500</u>

NOTE 6 – RELATED PARTIES

The School’s co-directors are guarantors of the note payable. (See Note 7 – Notes Payable)

The School’s co-directors are owners of Coral Reef Montessori Academy, Inc. (the “Company”) a separate for-profit entity. The Company operates a pre-school and an after-school in the same facilities as the School. The Company reimburses the School for payroll and benefit related expenses and in addition pays a rental fee to the School. For the year ended June 30, 2017, the School was reimbursed approximately \$352,000 for payroll and benefit related expenses. In addition, a rental fee of approximately \$42,000 was paid to the School and is included in charges for services.

NOTE 7 – NOTE PAYABLE

In February 2015, the School modified their note payable to obtain a lower interest rate and to extend the maturity date. The note is collateralized by the School’s building and land. The School’s co-directors are guarantors of the note payable as required by the bank to facilitate securing the note to the School. Even though the co-directors are personal guarantors on the note, they do not hold, or are entitled to, any security interest on the School’s building and land as these assets were acquired with government funds. In addition, the board of directors signed a resolution that would pay each of the co-directors .5% of the total loan outstanding for each year that they are listed as guarantors of the loan. For the year ended June 30, 2017, the School’s co-directors were paid \$15,941 each for a total of \$31,882. The note payable agreement contains a financial covenant which includes a debt service coverage ratio. At June 30, 2017, the School was in compliance with this covenant.

The School’s obligation under notes payable consists of the following:

	Balance 7/1/2016	Additions	Repayments	Balance 6/30/2017
Note payable with monthly payments of principal and interest totaling \$21,132, bearing interest of 4.50% and maturing on February 20, 2022.	\$ 3,177,475	\$ -	\$(110,990)	\$ 3,066,485

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 – NOTE PAYABLE (Continued)

Maturities of debt are as follows:

<u>Year Ended June 30</u>	
2018	\$ 116,982
2019	122,356
2020	127,977
2021	133,857
2022	<u>2,565,313</u>
Total	<u>\$3,066,485</u>

Subsequent to year-end, the School replaced the note above and increased the total available amount by \$1,768,964 through a non-revolving line of credit. After the completion of eight months from the closing date of July 24, 2017, the increase of \$1,768,964 will be consolidated with the remaining balance of \$3,066,485. The maturity date, collateral and interest rate will all remain the same as per above.

NOTE 8 – DEPOSITS POLICY AND CREDIT RISK

It is the School's policy to maintain its cash and cash equivalents in major banks and in high grade investments. As of June 30, 2017, the carrying amount of the School's cash deposit accounts was \$298,528 (operating) and \$30,739 (agency) and the respective bank balances totaled \$308,913 (operating) and \$32,375 (agency). At various times throughout the year bank balances may exceed the Federal Depository Insurance Corporation (FDIC) limit.

NOTE 9 – GRANTS

In the normal course of operations, the School receives grant funds from various federal, state and local agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not reflected in these financial statements.

NOTE 10 – EMPLOYEE RETIREMENT PLAN

Reporting Entity

The Florida Department of Management Services, Division of Retirement (division), is part of the primary government of the state of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems (system). For the fiscal year ended June 30, 2016, the division administered two cost-sharing, multiple employer defined benefit plans, one single employer defined benefit plan, two defined contribution plans, a supplemental funding of defined benefit plans for municipal police officers and firefighters, and various general revenue funded pension programs. The division issued a publicly-available, audited comprehensive annual financial report (CAFR) on behalf of the system that includes financial statements, notes and required supplementary information for each of the pension plans. Detailed information about the plans is provided in the CAFR which is available online or by contacting the division (see Note 11).

Cost-Sharing Defined Benefit Plans

As required by Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68), this report includes the allocation of the collective net pension liability and associated pension expense, deferred outflows of resources and deferred inflows of resources for each of the participating employers in the system's cost-sharing, multiple employer defined benefit plans:

NOTE 10 – EMPLOYEE RETIREMENT PLAN (Continued)

- The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established, is administered, and may be amended in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.22, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.
- The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Over 1,000 participating employers are served by the two defined benefit plans. Of these, more than 900 employers, referred to as reporting employers, report payroll and remit contributions to the division for their covered employees and, in some cases, for the covered employees of associated participating employers.

A. Basis of Accounting

Employers participating in the FRS Pension Plan and HIS Program are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB 68. The Schedules of Employer Allocations and Schedules of Pension Amounts by Employer (pension allocation schedules) and notes to the schedules, along with the system's CAFR, provide employers with the required information for reporting.

The underlying financial information used to prepare the pension allocation schedules is based on the system's records. The financial statements for the cost-sharing defined benefit plans are prepared using the flow of economic resources measurement focus and the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States. The system's financial statements are available online or by contacting the division (see Note 11). There have been no significant changes since the publication of the financial statements.

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 – EMPLOYEE RETIREMENT PLAN (Continued)

B. Employer Contributions

Contributions are recognized as revenues when due, pursuant to statutory and contractual requirements. Employee contributions required pursuant to section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported in the pension allocation schedules is reduced by these amounts.

Total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes. Employer contributions reflected in the financial statements and in the pension allocation schedules for the cost-sharing defined benefit plans represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer.

C. Use of Estimates

The preparation of these schedules, and the associated financial statements, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and changes therein, including appropriate disclosures at the date of the financial statements. Actual results could differ from those estimates.

Net Pension Liability of Employers

A. Net Pension Liability

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2016, are shown below:

	<u>FRS</u>	<u>HIS</u>
Total Pension Liability	\$ 6,192,955	\$ 720,455
Plan Fiduciary Net Position	<u>(5,256,766)</u>	<u>(6,970)</u>
Net Pension Liability	<u>\$ 936,189</u>	<u>\$ 713,485</u>
 Plan Fiduciary Net Position as a Percentage as a Percentage of the Total	 84.88%	 0.97%

The total pension liability for the FRS was determined by the plan’s actuary and reported in the plan’s valuation dated July 1, 2016. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2016. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

NOTE 10 – EMPLOYEE RETIREMENT PLAN (Continued)

B. Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the system's fiscal years ending June 30, 2013, 2014, 2015 and 2016, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal years 2015 and 2016, in addition to contributions from employers, the required accrued contributions for the division (paid on behalf of the division's employees who administer the plans) were allocated to each employer on a proportional basis. The division administers the plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

C. Actuarial Methods and Assumptions

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.60%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.85% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information – see Note 11).

**CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 10 – EMPLOYEE RETIREMENT PLAN (Continued)

The following changes in actuarial assumptions occurred in 2016:

- FRS: The long-term expected rate of return was decreased from 7.65% to 7.60%, and the active member Mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was decreased from 3.80% to 2.85%.

D. Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2016.

FRS Net Pension Liability			HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
6.60%	7.60%	8.60%	1.85%	2.85%	3.85%
\$ 1,723,587	\$ 936,189	\$ 280,784	\$ 818,529	\$ 713,485	\$ 626,303

Pension Expense and Deferred Outflows/Inflows of Resources

In accordance with GASB 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes in proportion and differences between contributions and proportionate share of contributions - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Differences between expected and actual earnings on pension plan investments – amortized over five years

Employer contributions to the pension plans from employers are not included in collective pension expense; however, employee contributions are used to reduce pension expense.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2016, was 6.4 years for FRS and 7.2 years for HIS. The components of collective pension expense reported in the pension allocation schedules for the fiscal year ended June 30, 2016, are presented below for each plan.

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 – EMPLOYEE RETIREMENT PLAN (Continued)

Florida Retirement System (FRS)

Description	Recognized in Expense Fiscal Year Ending 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Service Cost	\$ 79,081	\$ -	\$ -
Interest Cost	448,966	-	-
Effect of plan changes	1,198	-	-
Effect of economic/demographic gains or loss (difference between expected and actual experience)	12,576	71,682	(8,717)
Effect of assumptions changes or inputs	13,363	56,637	-
Member contributions	(26,351)	-	-
Projected investment earnings	(410,639)	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	14,214	(46,212)
Net difference between projected and actual investment earnings	23,869	430,682	(188,688)
Administrative expenses	686	-	-
Total	\$ 142,749	\$ 573,215	\$ (243,617)

Health Insurance Subsidy (HIS)

Description	Recognized in Expense Fiscal Year Ending 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Service Cost	\$ 15,716	\$ -	\$ -
Interest Cost	23,922	-	-
Effect of plan changes	-	-	-
Effect of economic/demographic gains or loss (difference between expected and actual experience)	(262)	-	(1,624)
Effect of assumptions changes or inputs	19,952	111,964	-
Member contributions	-	-	-
Projected investment earnings	(190)	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	15,466	(26,042)
Net difference between projected and actual investment earnings	133	360	-
Administrative expenses	11	-	-
Total	\$ 59,282	\$ 127,790	\$ (27,666)

**CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 10 – EMPLOYEE RETIREMENT PLAN (Continued)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer’s fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Year Ending June 30,	FRS Expense	HIS Expense
2017	\$ 45,400	\$ 17,929
2018	\$ 45,400	\$ 17,929
2019	\$ 131,396	\$ 17,867
2020	\$ 89,926	\$ 17,837
2021	\$ 13,227	\$ 15,432
Thereafter	\$ 4,247	\$ 13,131

NOTE 11 – ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION

Additional audited financial information supporting the Schedules of Employer Allocations and the Schedules of Pension Amounts by Employer is located in the Florida Retirement System Pension Plan and Other State-Administered Systems CAFR for the fiscal year ended June 30, 2016. The system’s CAFR and the actuarial valuation reports referenced herein are available online

http://www.dms.myflorida.com/workforce_operations/retirement/publications

The System’s CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services
 Division of Retirement
 Bureau of Research and Member Communications
 PO Box 9000
 Tallahassee, FL 32315-9000
 850-488-5706 or toll free at 877-377-1737

NOTE 12 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in the past. In addition, there were no reductions in insurance coverage from those in the prior year. The School does not sponsor a public entity risk pool and has had no settlements that have exceeded their insurance coverage.

NOTE 13 - COMMITMENTS

The School entered into several contracts for services in April 2017 for the construction and design of certain classroom additions (the “Project”) to the existing school. The total estimated cost of the services will not exceed the additional amount of the increase in the line of credit of \$1,768,964. The project is expected to be completed prior to the start of the new school year.

REQUIRED SUPPLEMENTAL INFORMATION

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund Budget		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 2,947,900	\$ 2,947,900	\$ 2,998,490
Charges for services	186,300	186,300	43,408
Miscellaneous and interest income	70,000	70,000	61,060
TOTAL REVENUES	\$ 3,204,200	\$ 3,204,200	\$ 3,102,958
EXPENDITURES			
Instructional services	\$ 1,852,300	\$ 1,852,300	\$ 1,943,209
Pupil personnel services	35,400	35,400	46,889
Instructional staff training services	15,400	15,400	19,235
Board	17,000	17,000	17,670
School administration	332,400	332,400	405,065
General administration	85,800	85,800	82,682
Facilities acquisition, construction & other capital outlay	91,188	91,188	699,694
Fiscal services	20,100	20,100	15,702
Food services	3,800	3,800	26,184
Community services	38,000	38,000	41,554
Administrative technology services	35,000	35,000	29,543
Operation of plant	-	-	79,689
Maintenance of plant	109,800	109,800	56,080
Debt services	393,300	393,300	290,387
TOTAL EXPENDITURES	3,029,488	3,029,488	3,753,583
Excess of revenues over expenditures	174,712	174,712	(650,625)
Other financing sources	-	-	-
Net change in fund balance	\$ 174,712	\$ 174,712	\$ (650,625)

See accompanying note to required supplemental information.

**CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal school lunch and contributions	62,900	62,900	24,194
TOTAL REVENUES	<u>\$ 62,900</u>	<u>\$ 62,900</u>	<u>\$ 24,194</u>
EXPENDITURES			
Food services	\$ 62,900	\$ 62,900	\$ 24,194
TOTAL EXPENDITURES	<u>\$ 62,900</u>	<u>\$ 62,900</u>	<u>\$ 24,194</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

See accompanying note to required supplemental information.

**CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2017**

	Capital Projects Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal school lunch and contributions	\$ 144,900	\$ 144,900	\$ 120,961
TOTAL REVENUES	\$ 144,900	\$ 144,900	\$ 120,961
EXPENDITURES			
Operation of plant	\$ 144,900	\$ 144,900	\$ 120,961
TOTAL EXPENDITURES	\$ 144,900	\$ 144,900	\$ 120,961
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

See accompanying note to required supplemental information.

CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
FRS/HIS - SCHEDULE OF PROPORTION SHARE OF NET PENSION LIABILITY
JUNE 30, 2017

Schedule of Proportionate Share of Net Pension Liability - Florida Retirement System – Last 10 Fiscal Years

	2016		2015		2014
School's proportion of the net pension liability	0.003707668%		0.004063715%		0.004100296%
School's proportionate share of the net pension liability	\$ 936,189	\$	524,883	\$	250,178
School's covered-employee payroll	\$ 1,889,908	\$	1,897,683	\$	1,928,181
School's proportionate share of the net pension liability as a % of its covered payroll	49.54%		27.66%		12.97%
Plan fiduciary net position as a % of the total pension liability	92.00%		92.00%		96.09%

Schedule of Proportionate Share of Net Pension Liability - Health Insurance Subsidy Program – Last 10 Fiscal Years

	2016		2015		2014
School's proportion of the net pension liability	0.006121921%		0.006489714%		0.006255125%
School's proportionate share of the net pension liability	\$ 713,485	\$	637,924	\$	606,804
School's covered-employee payroll	\$ 1,889,908	\$	1,897,683	\$	1,928,181
School's proportionate share of the net pension liability as a % of its covered payroll	37.75%		33.62%		31.47%
Plan fiduciary net position as a % of the total pension liability	0.97%		0.50%		0.99%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is complied the School presented information for only the first year for which information is available.

Note 2: The Amounts shown above are for illustration purposes only. Each employer will determine the appropriate amounts to present based upon amounts published in the pension allocation schedules.

Note 3: The Plan's fiduciary net position as a percentage of the total pension liability is published in Note 4 of the Comprehensive Annual Financial Report on the website indicated in Note 10.

Note 4: Refer to GASB 68, paragraph 81a- the information in this schedule should be determined as of the measurement date of the collective net pension liability.

**CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
FRS/HIS - SCHEDULE OF CONTRIBUTIONS
JUNE 30, 2017**

Schedule of Contributions Florida Retirement System – Last 10 Fiscal Years

	2017	2016	2015
Contractually required contribution	\$ 90,417	\$ 99,077	\$ 89,814
Contributions in relation to the contractually required contribution	\$ (90,417)	\$ (99,077)	\$ (89,814)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Schools' covered-employee payroll	\$ 1,889,908	\$ 1,897,683	\$ 1,928,181
Contributions as a % of covered-employee payroll	4.78%	5.22%	4.66%

Schedule of Contributions Health Insurance Subsidy Program – Last 10 Fiscal Years

	2017	2016	2015
Contractually required contribution	\$ 31,379	\$ 23,911	\$ 22,232
Contributions in relation to the contractually required contribution	\$ (31,379)	\$ (23,911)	\$ (22,232)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Schools' covered-employee payroll	\$ 1,889,908	\$ 1,897,683	\$ 1,928,181
Contributions as a % of covered-employee payroll	1.66%	1.26%	1.15%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled the School presented information for only the first year for which information is available.

Note 2: The Amounts shown above are for illustration purposes only. Each employer will determine the appropriate amounts to present based upon their accounting data.

Note 3: Refer to GASB 68, paragraph 81b- the information in this schedule should be determined as of the employer's most recent fiscal year.

**CORAL REEF MONTESSORI ACADEMY CHARTER SCHOOL
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2017**

NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2017 has been amended according to Board procedures. During the fiscal year, expenditures were controlled at the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general and special revenue funds for which a legally adopted budget exists.

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay).



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 of
Coral Reef Montessori Academy Charter School
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Coral Reef Montessori Academy Charter School (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 August 31, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 31, 2017



MANAGEMENT LETTER

Board of Directors of
Coral Reef Montessori Academy Charter School
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of Coral Reef Montessori Academy Charter School (the "School"), a non-major component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated August 31, 2017.

Auditor's Responsibility

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

Other Reporting Required by Government Auditing Standards

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 those reports and schedule, which are dated August 31, 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 were no recommendations made in the preceding audit report.

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 Coral Reef Montessori Academy Charter School.

Financial Condition

Sections 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. However, the following, in Other Matters, was noted that we would like to bring to the attention of the governing body of the school.

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. In connection with our audit, we did not have any such recommendations.

2017-1: Total Deficit in Fund Balance

Observation

There is a total deficit in the School's fund balance of \$26,454 at June 30, 2017. The School, for the year ended June 30, 2017, purchased approximately \$650,000 in new building, improvements furniture and equipment. Due to these new capital purchases the School expenditures exceeded revenue by \$650,625, resulting in the ending fund balance deficit.

Management's Response

In order to improve the facility and add additional classrooms, the School entered into various contracts for new design, construction and related services. The total expended during the 2016/17 fiscal year for these services was approximately \$680,000. As a result, the School's ending fund balance was a negative \$24,454 as of June 30, 2017. However, during the month of July, 2017, the School replaced the previous note payable and increased its total available line of credit by \$1,768,964. The increased line of credit will be used to finance the construction costs. The School believes that the fund balance will be positive within a very short time period.

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, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Verdepin De Armas Triunfo". The signature is written in a cursive style with some capital letters.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 31, 2017