

Silva of South Florida, Inc.
d/b/a Pathways Academy Charter School
(A Component Unit of the School Board
of Broward County, Florida)

Basic Financial Statements
and Additional Information
For the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Silva of South Florida, Inc.
d/b/a Pathways 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 Silva of South Florida, Inc. (the "School") d/b/a Pathways Academy Charter School and a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 2015, 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.

CPA's + Trusted Advisors

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, 2015, 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.

Emphasis of a Matter

The School recorded an overall fund balance (deficit) of (\$ 97,460) and overall net position (deficit) of (\$ 39,671). The School's management believes these are primarily due to initial start up and capitalization costs and is further discussed in Note 8 to the financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the statements of revenues and expenditures – budget and actual – general fund and special revenue fund on pages 3 through 7 and 23 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2015, on our consideration of the School's internal control over financial reporting and 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 the 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Silva of South Florida, Inc. (the "School"), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2015.

Management's discussion and analysis is included at the beginning of the School's basic financial statements to provide, in layman's terms, the past and current position of the School's financial condition. This summary should not be taken as a replacement for the audit which consists of the basic financial statements and other supplementary information which immediately follow this discussion.

Financial Highlights

Our basic financial statements provide these insights into the results of this year's operations.

- As of June 30, 2015, the School had a net position (deficit) of (\$ 39,671) which increased due to a loss of \$ 26,863 in the current year from the prior year.
- As of June 30, 2015, the School's overall fund balance (deficit) was (\$ 97,460).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide basic financial statements, 2) fund basic financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide basic financial statements: The government-wide basic 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, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, 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 basic financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide basic financial statements can be found on pages 7 and 8 of this report.

Fund basic financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: 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 basic financial statements. However, unlike the government-wide basic financial statements, governmental basic fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide basic financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balance. The General Fund, Special Revenue Fund and Capital Project Fund are considered to be the School's major funds.

The School Board adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and Special Revenue Fund.

The governmental funds financial statements can be found on pages 9 through 12 of this report.

Notes to basic financial statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 13 through 19 of this report.

Government-Wide Financial Analysis

The School has been in operation since 2002; therefore, comparative government-wide data is presented. The School's net position (deficit) was (\$ 39,671) at June 30, 2015. Of this amount, \$ 97,460 represented unrestricted net position (deficit) and \$ 57,789 represented the net investment in capital assets.

Our analysis in the table below focuses on the net position of the School's governmental activities:

Silva of South Florida, Inc. Net Position		
	2015	2014
Assets:		
Current assets	\$ 75,321	\$ 132,718
Capital assets, net of depreciation	57,789	60,048
Total assets	133,110	192,766

Silva of South Florida, Inc. Net Position (continued)		
	2015	2014
Liabilities:		
Liabilities, excluding long-term liabilities	172,781	205,544
Long-term liabilities	-	-
Total liabilities	172,781	205,544
Net Position:		
Net investment in capital assets	57,789	60,048
Unrestricted	(97,460)	(72,826)
Total net position	\$ (39,671)	\$ (12,778)

Governmental activities: The results of this year's operations for the School as a whole are reported in the statement of activities on page 8. The table below provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2015 and 2014:

Silva of South Florida, Inc. Changes in Net Position		
	2015	2014
Revenues:		
Federal grants	\$ 256,621	\$ 268,298
State sources	1,816,059	1,706,945
Local sources	8,298	16,136
Total revenues	2,080,978	1,991,379
Functions/Program Expenses/Other:		
Instruction	789,751	743,633
Instructional support services:		
Pupil personal services	49,153	26,942
Food services	231,813	223,021
Board	38,521	18,072
School Administration	291,762	314,380
Central services	-	12,145
Operation of plant	406,964	378,728
Maintenance of plant	4,194	10,700
Fiscal Services	130,710	122,958
Transportation	131,265	115,422
Operation of noninstructional services:		
Community services	33,738	38,613
Total expenses	2,107,871	2,004,614
Change in net position	\$ (26,893)	\$ (13,235)

Governmental Funds Expenditures

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

Functions/Programs	2015		2014	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 789,751	37.5%	\$ 743,633	37.1%
Pupil personal services	49,153	2.3%	26,942	1.3%
Food services	231,813	11.0%	223,021	11.1%
Board	38,521	1.8%	18,072	0.9%
School administration	291,762	13.8%	314,380	15.7%
Central services	-	0.0%	12,145	0.6%
Operation of plant	406,964	19.3%	378,728	18.9%
Maintenance of plant	4,194	0.2%	10,700	0.5%
Fiscal services	130,710	6.2%	122,958	6.1%
Transportation	131,265	6.2%	115,422	5.8%
Community services	33,738	1.6%	38,613	1.9%
Total governmental expenditures	\$ 2,107,871	100.0%	\$ 2,004,614	100.0%

General Fund Budgetary Highlights

Actual revenues were lower than budgeted amounts due to lower than expected enrollment.
Actual expenditures were slightly higher than budgeted

Capital Assets and Debt Administration

Capital assets: At June 30, 2015, the School had capital assets of \$ 57,789, net of accumulated depreciation, invested in furniture, fixtures and equipment leasehold improvements and software, as compared to \$ 60,048 at June 30, 2014.

Debt: At June 30, 2015, the School had no outstanding debt.

Economic Factors

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the School for fiscal year 2015-2016 include the expectation of revenues over expenditures will result in an improved financial position.

Requests for Information

If you have any questions about this report or need additional information, please write to the Principal of the Silva of South Florida, Inc. d/b/a Pathways Academy Charter School 4850 North State Road 7, Lauderdale Lakes, FL 33319.

BASIC FINANCIAL STATEMENTS

Silva of South Florida, Inc.
d/b/a Pathways Academy Charter School
Statement of Net Position
June 30, 2015

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 28,187
Accounts receivable	4,065
Prepaid expenses	2,869
Deposits	<u>40,200</u>
Total current assets	75,321
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>57,789</u>
Total assets	<u>133,110</u>
Current Liabilities:	
Accounts payable	82,375
Accrued expenses	<u>90,406</u>
Total current liabilities	172,781
Noncurrent Liabilities:	<u>-</u>
Total liabilities	<u>172,781</u>
Commitments and Contingencies (Notes 6 and 7)	-
Net Position:	
Net investment in capital assets	57,789
Unrestricted	<u>(97,460)</u>
Total net position	\$ <u><u>(39,671)</u></u>

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

Silva of South Florida, Inc.
d/b/a Pathways Academy Charter School
Statement of Activities
For the Year Ended June 30, 2015

		Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position
	<u>Expenses</u>				
Functions/Programs:					
Instruction:					
Regular instruction	\$ 789,751	\$ -	\$ 256,621	\$ -	\$ (533,130)
Instructional support services:					
Pupil personnel services	49,153	-	-	-	(49,153)
Administrative services	291,126	-	-	-	(291,126)
Operation of plant	406,964	-	-	79,760	(327,204)
Maintenance of plant	4,194	-	-	-	(4,194)
Operation of non-instructional services:					
General administration	636	-	-	-	(636)
Board services	38,521	-	-	-	(38,521)
Fiscal services	130,710	-	-	-	(130,710)
Community services	33,738	-	-	-	(33,738)
Transportation services	131,265	-	-	-	
Food services	231,813	-	-	-	(231,813)
Total governmental activities	\$ <u>2,107,871</u>	\$ <u>-</u>	\$ <u>256,621</u>	\$ <u>79,760</u>	<u>(1,771,490)</u>
General revenues:					
Grants and entitlements					1,736,299
Contributions and other					<u>8,298</u>
Total general revenues					<u>1,744,597</u>
Change in net position					(26,893)
Net position (deficit), July 1, 2014					<u>(12,778)</u>
Net position (deficit), June 30, 2015					\$ <u><u>(39,671)</u></u>

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

Silva of South Florida, Inc.
d/b/a Pathways Academy Charter School
Balance Sheet - Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 28,187	\$ -	\$ -	\$ 28,187
Accounts receivable	4,065	-	-	4,065
Prepaid expenditures	2,869	-	-	2,869
Deposits	<u>40,200</u>	<u>-</u>	<u>-</u>	<u>40,200</u>
Total assets	<u>\$ 75,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,321</u>
Liabilities:				
Accounts payable	\$ 82,375	\$ -	\$ -	\$ 82,375
Accrued expenses	<u>90,406</u>	<u>-</u>	<u>-</u>	<u>90,406</u>
Total liabilities	<u>172,781</u>	<u>-</u>	<u>-</u>	<u>172,781</u>
Commitments and Contingencies (Notes 6 and 7)	-	-	-	-
Fund Balances:				
Nonspendable for prepaid expenditures, and deposits	43,069	-	-	43,069
Unassigned (deficit)	<u>(140,529)</u>	<u>-</u>	<u>-</u>	<u>(140,529)</u>
Total fund balances	<u>(97,460)</u>	<u>-</u>	<u>-</u>	<u>(97,460)</u>
Total liabilities and fund balances	<u>\$ 75,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,321</u>

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

**Silva of South Florida, Inc.
d/b/a Pathways Academy Charter School
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2015**

**Amounts Reported for Governmental Activities in the
Statement of Net Position are Different Because:**

Total fund balances - governmental funds	\$	(97,460)
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The cost of capital assets acquired is reported as an expenditure in the governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation, among the assets of the School as a whole.

Cost of capital assets	\$	88,782	
Accumulated depreciation		<u>(30,993)</u>	<u>57,789</u>

Net Position of Governmental Activities	\$	<u><u>(39,671)</u></u>
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The accompanying notes to financial statements are an integral part of these statements.

**Silva of South Florida, Inc.
d/b/a Pathways Academy Charter School
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2015**

	General Fund	Special Revenue Fund	Capital Project Fund	Total
Revenues:				
Federal through state	\$ -	\$ 256,621	\$ -	\$ 256,621
State sources	1,736,299	-	79,760	1,816,059
Local sources	8,298	-	-	8,298
Total revenues	1,744,597	256,621	79,760	2,080,978
Expenditures:				
Current:				
Regular instruction	712,759	76,992	-	789,751
Instructional support services:				
Pupil personnel services	49,153	-	-	49,153
Administrative services	291,126	-	-	291,126
Operation of plant	313,670	-	79,760	393,430
Maintenance of plant	4,194	-	-	4,194
Operation of noninstructional services:				
General administration	636	-	-	636
Board services	38,521	-	-	38,521
Fiscal services	130,710	-	-	130,710
Community services	33,738	-	-	33,738
Transportation services	131,265	-	-	131,265
Food services	54,489	177,324	-	231,813
Capital outlay:				
Equipment and improvements	11,275	-	-	11,275
Total expenditures	1,771,536	254,316	79,760	2,105,612
Net change in fund balances	(26,939)	2,305	-	(24,634)
Fund Balances, July 1, 2014	(70,521)	(2,305)	-	(72,826)
Fund Balances, June 30, 2015	\$ (97,460)	\$ -	\$ -	\$ (97,460)

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

**Silva of South Florida, Inc.
d/b/a Pathways Academy Charter School
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015**

**Amounts Reported for Governmental Activities in the
Statement of Activities are Difference Because:**

Change in fund balances, governmental funds		\$	(24,634)
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.			
Expenditures for capital assets	\$	10,292	
Provision for depreciation		<u>(12,551)</u>	<u>(2,259)</u>
Change in Net Position of Governmental Activities		\$	<u><u>(26,893)</u></u>

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

Note 1 - Organization and Operations

Silva of South Florida, Inc. (the "School") d/b/a Pathways Academy Charter School and a component unit of the School Board of Broward County, Florida, is established as a charter school for children from kindergarten through eight grade. As of June 30, 2015, approximately 281 students were enrolled in the School. The School is funded primarily through the School Board of Broward County, Florida.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring School Board, the School Board of Broward County, Florida. The current charter is effective until June 30, 2023, and may be renewed for an additional fifteen years by mutual written agreement between the School and the Sponsor. At the end of the term of the charter, the Board may choose not to renew the charter under grounds specified in the charter, in which case the Board is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the Board may also terminate the charter if good cause is shown. Silva of South Florida, Inc. is considered a component unit of the School Board of Broward County, Florida.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable, which would require inclusion in the School's basic financial statements.

Basis of presentation: Based on the guidance presented in the American Institute of Certified Public Accountants Audit and Accounting Guide – Not-for-Profit Organizations and provisions of Section 228.056(9), Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide basic financial statements: The School's basic financial statements include both government-wide (reporting the School as a whole) and fund basic financial statements (reporting the School's individual funds). Both the government-wide and fund basic financial statements categorize primary activities as either governmental or business-type. All of the School's activities are classified as governmental activities.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full accrual economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations.

Fund financial statements: The accounts of the School are organized on the basis of funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

The School reports the following major funds:

General Fund – This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

Note 2 - Summary of Significant Accounting Policies (continued)

Special Revenue Fund – This fund is used to account for federal grants that are legally restricted to expenditures for particular purposes.

Capital Project Fund – This fund is used to account for state capital outlay funding that is legally restricted to expenditures for particular purposes.

Measurement focus and basis of accounting: Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the governmental-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide basic financial statements is presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund basic financial statements are presented 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 60 days of the end of the fiscal year. 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.

Cash and cash equivalents: Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

Due from other governments: Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School, if any.

Due to/from other funds: Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Prepaid expenses/expenditures: Certain payments to vendors reflect costs applicable to a future accounting period and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets: Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with an initial cost of \$ 500 and useful life of over one year. Donated property and equipment assets are valued at the estimated fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related fixed assets. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the estimated useful lives as follows:

Furniture fixtures and equipment,	10 years
Software	3 years
Leasehold improvements	5 years

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred outflows/inflows of resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Unearned revenue: Unearned revenue arises when the School receives resources before it has a legal claim to them, if any.

Net position: Net position is classified in three categories. The general meaning of each is as follows:

- Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.
- Restricted – consists of net position with constraints placed on their use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - indicates that portion of net position that can be used for future operations.

Fund balance: The School has implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance classifications to report on the nature and extent to which the School is bound to have constraints on the specific purposes for which amounts in those funds can be spent.

The following classifications describe the relative strength of the spending constraints:

- Nonspendable – amounts that are not in spendable form (such as prepaid items and deposits) or are legally or contractually required to be maintained intact.
- Restricted – amounts constrained to specific purposes by external providers (such as grantors) or imposed by law through constitutional provisions, or by enabling legislation.
- Committed – amounts constrained to specific purposes by formal action of the School itself, using its highest level of decision making authority (i.e., the School Board) through Resolution. To be reported as committed, amounts cannot be used for any other purpose unless the School Board takes the same highest level action (i.e., Resolution) to remove or change the constraint.

Note 2 - Summary of Significant Accounting Policies (continued)

- Assigned – amounts the School intends to use for a specific purpose but are neither restricted nor committed. Assignments can be made by the Executive Committee or by an official or body which the School Board delegated the authority at their direction.
- Unassigned – amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the School considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the School Board or its delegated official or body has provided otherwise in its commitment or assignment actions.

Revenue sources: Revenues for operations are received primarily from the Broward County District School Board pursuant to the funding provisions included in the School's charter. Funding for the School's student population is adjusted during the year to reflect the revised calculations by the Florida Department of Education under the Florida Education Finance Program, net of an administration fee of 5% 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.

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

Date of management review: Subsequent events are evaluated by management through September 29, 2015, which is the date the financial statements were available for issuance.

Note 3 - Deposits

At June 30, 2015, the carrying amount of the School's deposits and cash on hand totaled \$ 28,187 with a bank balance of \$ 30,513.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool, as the School has identified itself as a public entity at June 30, 2015.

Note 4 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2015 are as follows:

	Balance at July 1, 2014	Additions	Retirements	Balance at June 30, 2015
Capital assets, being depreciated:				
Furniture, fixtures and equipment	\$ 54,706	\$ 10,292	\$ -	\$ 64,998
Software	12,348	-	-	12,348
Leasehold improvements	11,436	-	-	11,436
Total capital assets, being depreciated	78,490	10,292	-	88,782
Accumulated depreciation:				
Furniture, fixtures and equipment	12,039	6,148	-	18,187
Software	4,116	4,116	-	8,232
Leasehold improvements	2,287	2,287	-	4,574
Total accumulated depreciation	18,442	12,551	-	30,993
Net capital assets	\$ 60,048	\$ (2,259)	\$ -	\$ 57,789

Provision for depreciation was charged to governmental activities as plant operations. Additionally, all assets of the School revert back to the School Board of Broward County, Florida upon termination of the School's charter agreement that are purchased with public monies.

Note 5 – Taxes

The School has registered as a Florida nonprofit corporation whose revenue is derived primarily from other governmental entities. The School is in the process of filing for its exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. For the prior year June 30, 2014 (2013 income tax return) the School filed an income tax return as a taxable corporation. The School is currently preparing to file for its application for being exempt from income taxes under Section 501(c)(3) and intends to file a tax return as an organization exempt from tax (form 990). As the School recorded a loss for the year ended June 30, 2014, no income tax was incurred. Income tax returns filed with the internal revenue service are still open to inspection.

Note 6 - Contingencies

Grants and awards: The School received financial assistance from Federal and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. In accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Single Audit Act, the School is not required to conduct "single audits" since the required threshold for Federal awards and state financial assistance is currently \$ 500,000 and the School did not exceed such threshold.

Note 6 – Contingencies (continued)

Post-retirement benefits: The School does not provide post-retirement benefits to retired employees.

Note 7 – Commitments

Leases: The School leased property from Ideal Adventures, LLC during the year for its administrative, cafeteria and classroom space under a non-cancelable operating lease that expires June 30, 2018. Under the terms of the lease agreement the current minimum monthly lease payments are approximately \$ 21,600, not including common area maintenance. The Academy amended its lease with Ideal Adventures, LLC twice for additional space. Required monthly payments are approximately \$ 950 and \$ 2,500 respectively for the additional space needed and expire along with the original lease in June 2018.

The School also leases other equipment which expires December 2018. The lease requires monthly payments of approximately \$ 1,560 per month.

Total rent expense for the year ended June 30, 2015 was approximately \$ 268,500, including month-to-month equipment rentals. Future minimum payments required under the operating leases are approximately as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>School Premises Leases</u>
2016	\$ 18,800	\$ 301,000
2017	18,800	312,500
2018	9,400	324,600
Thereafter	NONE	NONE

Risk Financing: The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School places all insurance risk, less nominal deductibles, in the hands of commercial carriers. At the present time, management believes that any claims the School may have are insured and that any expense associated with them will not materially affect the financial position of the School.

Note 8 – Emphasis of a Matter/Deficits

The School recorded a deficit fund balance of \$ 97,460 as of June 30, 2015 that includes a loss for the current fiscal year of \$ 24,634 on the fund level financial statements. In addition, the Schools net position is a deficit of \$ 39,671 which also includes a loss of \$ 26,893 for the current year on the government wide financial statements. The school believes that the startup costs, outlay of capital expenditures and other non-recurring expenditures attributable to the initial years of the School will not be recurring in the up and coming school year. The School has budgeted net income for the school year ending June 30, 2016 of approximately \$ 45,000 and believes that results of future years will offset the deficits incurred. In addition the School is closely monitoring its budget to actual monthly results and making appropriate adjustments as necessary. The School does not believe these deficits are a result of deteriorating financial conditions and they are due to initial start up costs and capitalization.

REQUIRED SUPPLEMENTAL INFORMATION

**Silva of South Florida, Inc.
d/b/a Pathways Academy Charter School
Statement of Revenues and Expenditures -
Budget and Actual - General Fund
For the Year Ended June 30, 2015**

	Original and Final Budget	Actual	Variance
Revenues:			
State sources	\$ 1,833,190	\$ 1,736,299	\$ (96,891)
Local sources	<u>113,008</u>	<u>8,298</u>	<u>(104,710)</u>
Total revenues	<u>1,946,198</u>	<u>1,744,597</u>	<u>(201,601)</u>
Expenditures:			
Current:			
Regular instruction	710,852	712,759	(1,907)
Instructional services:			
Pupil personnel services	68,554	49,153	19,401
Administrative services	282,414	291,126	(8,712)
Operation of plant	291,049	313,670	(22,621)
Maintenance of plant	15,000	4,194	10,806
Operation of noninstructional services:			
General administration	-	636	(636)
Board services	27,900	38,521	(10,621)
Fiscal services	132,866	130,710	2,156
Community services	45,419	33,738	11,681
Pupil transportation services	140,400	131,265	9,135
Food services	47,681	54,489	(6,808)
Capital outlay:			
Equipment and improvements	-	11,275	(11,275)
Total expenditures	<u>1,762,135</u>	<u>1,771,536</u>	<u>(9,401)</u>
Net change in fund balance	\$ <u>184,063</u>	\$ <u>(26,939)</u>	\$ <u>(211,002)</u>

Silva of South Florida, Inc.
d/b/a Pathways Academy Charter School
Statement of Revenues and Expenditures -
Budget and Actual - Special Revenue Fund
For the Year Ended June 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Federal sources:			
Title One	\$ 89,000	\$ 76,992	\$ (12,008)
National School Lunch Program	216,847	179,629	(37,218)
Other		-	-
	<u>305,847</u>	<u>256,621</u>	<u>(49,226)</u>
Total revenues			
	<u>305,847</u>	<u>256,621</u>	<u>(49,226)</u>
Expenditures:			
Regular instruction	89,000	76,992	12,008
Food services	216,847	179,629	37,218
	<u>305,847</u>	<u>256,621</u>	<u>49,226</u>
Total expenditures			
	<u>305,847</u>	<u>256,621</u>	<u>49,226</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

OTHER INDEPENDENT AUDITOR'S REPORTS

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

To the Board of Directors
Silva of South Florida, Inc.
d/b/a Pathways 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 the 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 Silva of South Florida, Inc. (the "School"), d/b/a Pathways Academy Charter School and a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 29, 2015.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as item 2015-01.

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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 29, 2015

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Silva of South Florida, Inc.
d/b/a Pathways Academy Charter School
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of Silva of South Florida, Inc. (the "School"), d/b/a Pathways Academy Charter School and a component unit of the School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated September 29, 2015.

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 Report

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 29, 2015, 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. The status of the school's corrective actions has been noted in the accompanying schedule of findings and recommendations.

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 Silva of South Florida, Inc.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, require 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.

CPA's + Trusted Advisors

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

Transparency

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

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.



KEEFE MCCULLOUGH

Fort Lauderdale, Florida
September 29, 2015

Silva of South Florida, Inc.
d/b/a Pathways Academy Charter School
Schedule of Findings and Responses
June 30, 2015

Prior Year Findings and Responses

	<u>STILL APPLICABLE</u>	<u>IMPLEMENTED OR NO LONGER RELEVANT</u>
2014-1 Monitor budgeted revenue and expenses to actual results on a continuous basis		X

Current Year Findings and Responses:

NONE