
BOCA RATON CHARTER SCHOOL, INC.

INDEPENDENT AUDITOR'S REPORT

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

MARK ESCOFFERY P.A.
CERTIFIED PUBLIC ACCOUNTANT

BOCA RATON CHARTER SCHOOL, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of:
Boca Raton Charter School, Inc.
Boca Raton, Florida

I have audited the accompanying Financial Statements of the governmental activities, and each major fund, of Boca Raton Charter School, Inc. ("the School") (a nonprofit organization) as of and for the year ended June 30, 2016 which collectively comprise the School's basic financial statements as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Management of the School. My responsibility is to express an opinion on these financial statements based on my audit.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

To the Board Members of
Boca Raton Charter School, Inc.
Boca Raton, Florida
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Opinion

In my opinion, the financial statements referred to above and the Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (GAAP Basis) and Actual-All Governmental Fund Types 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, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 23, 2016, on my consideration of the School's internal control over financial reporting and my 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 my 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* and should be considered in assessing the results of my audit.

Other Matters

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Board. I have applied certain limited procedures, which consisted principally of inquiries of Management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Wanda E. Coffey, P.A.

Palm Beach Gardens, Florida
September 23, 2016

BOCA RATON CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Our discussion and analysis of Boca Raton Charter School's ("the School") financial program provides an overview of the School's financial activities for the year ended June 30, 2016.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with the School's financial statements, which begin on page 7.

For financial statement purposes the School is considered a component unit of the School District of Palm Beach County, which is a primary government entity for financial reporting. The School has included separate statements for the Governmental Fund Balance Sheet and the statement of Revenue, Expenditures and Changes in Fund Balance. The Statement of Net Position and the Statement of Activities report provide information on the activities of the School. The Fund Financial Statements reflect financing activities of the School by providing information on inflows and outflows of spendable resources.

NON FINANCIAL HIGHLIGHTS

The School had 102 students enrolled for the school year 2015-2016. It has budgeted for 125 students for the school year 2016-2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's financial position. Included in these statements are all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are recorded when received.

The Statement of Net Position presents information on all of the School's assets and liabilities, with the difference between the two reported as *net position*. 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 government's net positions changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Fund 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.

**BOCA RATON CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd.)

Fund Financial Statements (Cont'd.)

Governmental Funds – All of the School's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's governmental activities and the basic services it provides.

Notes to the 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 15-21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. The School's assets exceeded liabilities by \$261,875 at June 30, 2016.

NET ASSETS

	<u>JUNE 30 2016</u>	<u>JUNE 30, 2015</u>
Current and Other Assets	\$ 187,062	\$ 424,240
Capital Assets	114,733	10,526
Total Assets	<u>\$ 301,795</u>	<u>\$ 434,766</u>
Other Liabilities	\$ 39,920	\$ 53,409
Total Liabilities	<u>\$ 39,920</u>	<u>\$ 53,409</u>
Investment in Capital Assets	\$ 114,733	\$ 10,526
Unrestricted	147,142	370,831
Total Net Position	<u>\$ 261,875</u>	<u>\$ 381,357</u>

Revenues from governmental activities totaled \$735,036 for the year ended June 30, 2016. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue represented approximately 97% of total revenue.

BOCA RATON CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

<u>Revenue Source</u>	<u>6/30/16</u>	<u>% of Total 6/30/16</u>	<u>6/30/15</u>	<u>% of Total 6/30/15</u>
State Sources	\$ 729,076	91.3	\$ 720,412	87.7
Local Sources	63,191	8.0	94,109	11.5
Federal Sources	5,960	.7	7,171	.8
Total	\$ 798,227	100.0	\$ 821,692	100.0

Local revenue sources are primarily donations and pre-school fees.

Expenses for major functions of the School are shown in the following table:

<u>EXPENSE</u>	<u>6/30/16</u>	<u>% of Total 6/30/16</u>	<u>6/30/15</u>	<u>% of Total 6/30/15</u>
Instruction	\$ 384,430	41.9	\$ 468,248	47.7
Inst. Curriculum Dev.	1,959	.2	2,510	.3
Board Services	14,395	1.6	49,306	5.0
School Administration	147,555	16.1	141,976	14.5
Fiscal Services	11,350	1.2	9,684	1.0
General Administration	35,640	3.9	33,816	3.4
Facilities Acquisition	269,676	29.4	225,103	22.9
Operation of Plant	42,142	4.6	13,352	1.4
Maintenance of Plant	1,928	.2	27,675	2.8
Depreciation	8,634	.9	9,351	1.0
TOTAL	\$ 917,709	100.0	\$ 981,021	100.0

BUDGETARY HIGHLIGHTS

There was a \$4,310 difference between budgeted Federal and State and actual revenue for the year ended June 30, 2016 because of lower enrollment.

Local revenue sources were approximately \$67,209 less than budgeted because of lower enrollment in the Voluntary Pre Kindergarten (VPK) Program.

Overall actual expenses were \$156,231 more than budgeted primarily because there was no budget for capital outlays of \$112,841 or for \$35,640 of general administrations expenses. Facilities acquisition expenses were under budgeted by \$51,476 because of greater leasing costs. Also, instruction costs were over budgeted by \$47,654 primarily due to lower enrollment.

Total fund balance of the General Fund was \$147,142 at June 30, 2016.

BOCA RATON CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

CAPITAL ASSETS

The School's investment in capital assets at June 30, 2016 was \$114,733 (net of depreciation). The investment includes furniture, fixtures, and equipment. The following is a summary of capital assets balances at June 30, 2016:

Leasehold Improvements	\$	112,841
Furniture, Fixtures and Equipment		93,512
Less Accumulated Depreciation		91,620
	\$	<u>114,733</u>

PROSPECTS FOR THE FUTURE

The School continues to receive funds from State sources in the form of Florida Education Finance Program Fees (FEFP). The fees are evaluated in October and February and are based on student enrollment.

- Administration believes that the School will maintain its "A" rating from the Department of Education, based on test scores and academic achievement.
- The Administration believes that high test scores will to be achieved because of investment in reading and math computer based programs.
- The School should surpass its budgeted amount of 125 students for the 2016-2017 School Year.
- The Administration believes that the School will progress and contribute to the educational requirements of Palm Beach County.

REQUESTS FOR INFORMATION

The Management Discussion and Analysis provides a general overview of the finances of the School. Requests for additional information should be addressed to Brigitte Livingstone, Administrative Assistant, 269 NE 14th Street, Boca Raton, Florida 33432.

BOCA RATON CHARTER SCHOOL, INC.
Governmental Fund (General Fund) Balance Sheet
June 30, 2016

	Governmental Funds
ASSETS	
Cash	\$120,583
Accounts Receivable	66,479
Total Assets	<u><u>\$187,062</u></u>
LIABILITIES	
Accrued salaries payable	34,920
Accounts Payable	5,000
Total Liabilities	<u><u>39,920</u></u>
FUND BALANCE	
Unassigned	147,142
	<u><u>147,142</u></u>
Total Liabilities and Fund Balance	<u><u>\$187,062</u></u>

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION
For the Year ended June 30, 2016

ASSETS	Account Number	Primary Government		
		Governmental Activities	Business-type Activities	Total
Cash and Cash Equivalents	1110	120,583		120,583
Accounts Receivable, Net	1130	66,479		66,479
Restricted Assets:				
Cash with Fiscal Agent	1114			
Deposits receivable	1210			
Deferred Charges:				
Prepaid Items	1230			
Issuance Costs				
Capital Assets:				
Improvements other than Buildings	1320	112,841		
Less Accumulated Depreciation	1329			
Furniture, Fixtures and equipment	1340	93,512		93,512
Less Accumulated Depreciation	1349	(91,620)		(91,620)
Motor Vehicles	1350			
Less Accumulated Depreciation	1359			
Computer Software	1382			
Less Accumulated Depreciation	1389			
Total Assets		301,795		301,795
LIABILITIES				
Salaries and Wages Payable	2110	34,920		34,920
Payroll Deductions and Withholdings	2170			
Accounts Payable	2120	5,000		5,000
Noncurrent Liabilities:				
Portion Due Within One Year:				
Bonds Payable	2320			
Liability for Compensated Absences	2330			
Total Liabilities		39,920		39,920
NET POSITION				
Invested in Capital Assets, Net of Related Debt		114,733		114,733
Restricted For:				
Categorical Carryover Programs	2710			
Debt Service	2750			
Unrestricted		147,142		147,142
Total Net Position		261,875		261,875

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.
Reconciliation of the Governmental Fund (General Fund)
Balance Sheet To The Statement of Net Position
June 30, 2016

Fund Balance- Governmental Funds \$147,142

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$206,353	
Less accumulated depreciation	<u>(91,620)</u>	
		114,733

Net Position of Governmental activities \$261,875

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.
Statement of Governmental Fund (General Fund) Revenues, Expenditures and
Changes in Fund Balance
Year Ended June 30, 2016

	<u>Governmental</u> <u>Funds</u>	<u>Special</u> <u>Revenue</u>	<u>Total</u>
EXPENSES			
Instruction	\$378,470	\$5,960	\$384,430
Curriculum Development	1,959		1,959
Board Services	14,395		14,395
General Administration	35,640		35,640
School Administration	147,555		147,555
Fiscal Services	11,350		11,350
Facilities Acquisition	269,676		269,676
Operation of Plant	42,142		42,142
Maintenance of Plant	1,928		1,928
Capital outlay	112,841		112,841
TOTAL EXPENSES	<u>1,015,956</u>	<u>5,960</u>	<u>1,021,916</u>
PROGRAM REVENUES			
Florida Education Finance Program (FEFP)	712,803		712,803
Capital grants and contributions	14,406		14,406
Charges for services	39,063		39,063
Total program revenues	<u>766,272</u>		<u>766,272</u>
GENERAL REVENUES:			
Other federal sources		5,960	5,960
Other state sources	1,867		1,867
Other local sources	24,128		24,128
Total general revenues	<u>25,995</u>	<u>5,960</u>	<u>31,955</u>
Excess of Revenues over expenses	(223,689)		(223,689)
Fund Balance, Beginning of Year	<u>370,831</u>		<u>370,831</u>
Fund Balance, End of Year	<u>\$147,142</u>	<u>\$ -</u>	<u>\$147,142</u>

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
June 30, 2016

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
Instruction	5000	\$ 384,430	\$ 39,063	\$ 7,827		\$ (337,540)		(337,540)
Pupil Personnel Services	6100					-		-
Instructional Media Services	6200					-		-
Instruction and Curriculum Development Services	6300	1,959				(1,959)		(1,959)
Instructional Staff Training Services	6400					-		-
Board	7100	14,395				(14,395)		(14,395)
General Administration	7200	35,640				(35,640)		(35,640)
School Administration	7300	147,555				(147,555)		(147,555)
Facilities Acquisition and Construction	7400	269,676		14,406		(255,270)		(255,270)
Fiscal Services	7500	11,350				(11,350)		(11,350)
Food Services	7600					-		-
Central Services	7700					-		-
Pupil Transportation Services	7800					-		-
Operation of Plant	7900	42,142				(42,142)		(42,142)
Maintenance of Plant	8100	1,928				(1,928)		(1,928)
Technical Support	8200					-		-
Community Services	9100					-		-
Interest on Long-term Debt	9200					-		-
Unallocated Depreciation Expense *		8,634				(8,634)		(8,634)
Total governmental activities		917,709	39,063	22,233	-	(856,413)		(856,413)
Business-type activities:								
						-		-
						-		-
						-		-
Total business-type activities		-	-	-	-	-		-
Totals		917,709	39,063	22,233	-	(856,413)		(856,413)

General Revenues:

Taxes:

Property taxes, levied for operational purposes
Property taxes, levied for debt service
Property taxes, levied for capital projects
Local sales taxes
Florida Education Finance program (FEFP)
Grants and contributions not restricted to specific programs
Investment earnings
Special items
Transfers
Total general revenues, special items, and transfers
Change in net position
Net position-beginning
Net position-ending

		-
		-
		-
		-
	712,803	712,803
	23,764	23,764
	364	364
		-
		-
	736,931	736,931
	(119,482)	(119,482)
	381,357	381,357
	\$261,875	\$261,875

* This amount excludes the depreciation that is included in direct expenses of the various functions.

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
of Governmental Fund (General Fund) To The
Statement of Activities
June 30, 2016

Net Changes in Fund Balances- Governmental Funds (\$223,689)

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

	Expenditures for capital assets	\$112,841	
	Less current year depreciation	<u>(8,634)</u>	
			<u>104,207</u>
Change in Net Assets of Governmental Activities			<u><u>(\$119,482)</u></u>

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.
Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
All Governmental Fund Types
Year Ended June 30, 2016

	Governmental Funds			Special Revenue			TOTAL		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
EXPENDITURES:									
Instruction	423,584	\$378,470	(\$45,114)	\$8,500	\$5,960	(\$2,540)	\$432,084	\$384,430	(\$47,654)
Ins. and Curriculum Dev.	2,300	1,959	(341)				2,300	1,959	(341)
Board Services	24,200	14,395	(9,805)				24,200	14,395	(9,805)
General Administration		35,640	35,640					35,640	35,640
School Administration	138,801	147,555	8,754				138,801	147,555	8,754
Fiscal Services	10,600	11,350	750				10,600	11,350	750
Facilities Acquisition	218,200	269,676	51,476				218,200	269,676	51,476
Operation of Plant	18,200	42,142	23,942				18,200	42,142	23,942
Maintenance of Plant	21,300	1,928	(19,372)				21,300	1,928	(19,372)
Capital Outlay		112,841						112,841	112,841
Reserve									
	<u>857,185</u>	<u>1,015,956</u>	<u>45,930</u>	<u>8,500</u>	<u>5,960</u>	<u>(2,540)</u>	<u>865,685</u>	<u>1,021,916</u>	<u>156,231</u>
PROGRAM REVENUES:									
Florida Education Finance Program	700,326	712,803	12,477				700,326	712,803	12,477
Capital grants and contributions	29,220	14,406	(14,814)				29,220	14,406	(14,814)
Charges for services	105,000	39,063	(65,937)				105,000	39,063	(65,937)
	<u>834,546</u>	<u>766,272</u>	<u>(68,274)</u>				<u>834,546</u>	<u>766,272</u>	<u>(68,274)</u>

The accompanying notes are an integral part of this statement

BOCA RATON CHARTER SCHOOL, INC.
Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
All Governmental Fund Types
Year Ended June 30, 2016 (Continued)

	Governmental Funds			Special Revenue			TOTAL		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
GENERAL REVENUES:									
Other federal sources				8,500	5,960	(2,540)	8,500	5,960	(2,540)
Other state sources	1,300	1,867	567				1,300	1,867	567
Other local sources	25,400	24,128	(1,272)				25,400	24,128	(1,272)
	<u>26,700</u>	<u>25,995</u>	<u>(705)</u>	<u>8,500</u>	<u>5,960</u>	<u>(2,540)</u>	<u>35,200</u>	<u>31,955</u>	<u>(3,245)</u>
Excess of Expenditures over Revenues	<u>4,061</u>	<u>(223,689)</u>	<u>(114,909)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,061</u>	<u>(223,689)</u>	<u>(227,750)</u>
Fund Balance, Beginning of Year		<u>370,831</u>						<u>370,831</u>	
Fund Balance, End of year		<u>\$147,142</u>			<u>\$ -</u>			<u>\$147,142</u>	

The accompanying notes are an integral part of this statement

**BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Boca Raton Charter School (“the School”) was established as a nonprofit organization in February 2006 under the laws of the State of Florida and is the reporting entity.

The School operates as a Charter School pursuant to a Charter School Contract (“the Contract”) with the School District of Palm Beach County, Florida. Under the Contract the School provides an elementary education to children who reside in Palm Beach County in and around the City of Boca Raton. For financial statement purposes the School is not considered a component unit of the School District of Palm Beach County, which is a primary government entity for financial reporting.

The School District of Palm Beach County received 5% of the Florida Education Finance Program (FEFP) revenue as an administrative fee.

The Contract was renewed and is effective through June 30, 2020. The Contract requires the School District to provide the School’s primary source of funding based upon the number of full-time equivalent students (FTES) registered at the School.

The School is a tax-exempt organization under 501(C)(3) of the Internal Revenue Code.

The School’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

Basic Financial Statements

The School’s basic financial statements are the Statements of Net Position and the Statement of Activities. All the activities of the School are classified as governmental type activities. There are no business type activities of the School. All the School’s governmental type activities are included in the general fund. There are no other major or non major funds. In the Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School’s net position is reported in three parts – invested in capital assets, net of related debt; restricted for categorical carryover programs, debt service; and unrestricted net position.

The Statement of Activities reports both the gross and net cost of each of the School’s functions. The functions are also supported by government revenues such as Florida Education Finance Program (FEFP), and Federal Implementation Grants. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants

BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basic Financial Statements (Cont'd.)

Program revenues must be directly associated with the function (after care and youth services, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants column reflects capital-specific grants.

Fund Financial Statements

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

General Fund – is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Special Revenue Fund – accounts for specific revenue, such as federal grants and capital outlay grants that are legally restricted to expenditures for particular purposes.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounting and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The governmental type activities in the financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. When both restricted and unrestricted resources are available for use, it is the policy of the School to use restricted resources first, then unrestricted resources as they are needed.

Measurement Focus

The accounting and financial reporting treatment is determined by applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet and operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net position.

BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Measurement Focus (Cont'd.)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financial uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles include the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that subject the School to concentrations of credit risk include cash. While the School attempts to limit its financial exposure, its deposit balances may at times exceed federally insured limits. The school has not experienced any losses on such balances.

Cash deposits are held at banks qualified as public depositories under Florida law.

Contributed Services and Facilities

The School does not recognize any support, revenue or expense from services contributed by individual volunteers since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of time to the School's program services.

Budgetary Basis of Accounting

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

BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost. Contributed assets are reported at 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. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture, Fixtures and Computer	
Equipment	5-10 Years
Leasehold Improvements	20 Years

Revenue Sources

Revenues for operations are received primarily from the School District of Palm Beach County 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 District of Palm Beach County. Funding for the School is adjusted during the year to reflect the revised calculations by the Florida Department of Education 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 facility.

Fund Balance Classifications

GASB requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

- a) **Nonspendable** fund balance includes amounts that are not in a spendable form such as inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). There was a nonspendable fund balance at year end.
- b) **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. There was no restricted fund balance at year end.

BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

- c) **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision making authority. There was no committed fund balance at year end.
- d) **Assigned** fund balance includes amounts intended to be used by the School's Management for specific purposes but which does not meet the criteria to be classified as restricted or committed. There was no assigned fund balance at year end.
- e) **Unassigned** fund balance includes amounts that are available for any purpose. These amounts are reported only in the general fund. There was an unassigned fund balance at year end.

Order of Fund Spending Policy

The School's policy is to apply expenditures against nonspendable fund balance, followed in order by restricted fund balance, committed fund balance, assigned fund balance, and lastly unassigned fund balance at the end of the fiscal year. The School's Board of Directors can deviate from this policy if it is in the best interest of the School.

NOTE 2 – FAIR VALUE MEASUREMENTS

The Fair Value Measurements Topic of the FASB Accounting Standards Codification defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements.

The School measures the fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has to ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

**BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINNCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30 2016**

NOTE 2 – FAIR VALUE MEASUREMENTS (Cont'd.)

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement with the fair value hierarchy levels.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 were as follows:

	Balance <u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>Ending</u>
Leasehold Improvements	\$ -	\$ 112,841	\$ -	\$ 112,841
Furniture, Fixtures & Equipment	93,512	-	-	93,512
	93,512	112,841	-	206,353
Less Accumulated Depreciation	82,986	8,634	-	91,620
NET CAPITAL ASSETS	<u>\$ 10,526</u>	<u>\$ 104,207</u>	<u>\$ -</u>	<u>\$ 114,733</u>

Depreciation expense of \$8,634 was unallocated during the year ended June 30, 2016.

NOTE 4 – COMPENSATED ABSENCES

Employees of the School are entitled to paid vacation and sick days depending on length of services. The School’s policy is to recognize the cost of vacation days when earned by the employees. The value of unused vacation days was determined to be immaterial and therefore no accrual has been made.

NOTE 5 – YACHT TRANSACTIONS

The School is involved in a donation program with a third party company that secures donated boats to not-for-profit organizations as a means of fundraising. The School has a written agreement with the third party company to act as its agent and to handle the entire boat donation program including execution of various documentation that are required to be filed with certain taxing authorities. When the vessels are sold or leased the School receives a donation. The School had one donated boat during the year ended June 30, 2016. These donated vessels have not been recorded on the books of the School because there is no objective way to measure the value of the transaction or of the donation the School will receive when the boats are sold or leased. Even though the School has title to the boats, they have little or no control over the proceeds of sale and thus no ability to determine what revenue will be generated. The School received \$15,000 from boat donations during the year ended June 30, 2016.

BOCA RATON CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Lease Agreement

The School leases its facilities annually with options to renew for additional one year terms. Annual rental expenses for the year ended June 30, 2016, were \$268,317. Future minimum lease payments under this lease, assuming the lease will be renewed for additional terms, are as follows:

June 30, 2017	\$ 276,000
June 30, 2018	284,000
June 30, 2019	292,000
June 30, 2020	300,000
June 30, 2021	308,000
	<u>\$ 1,460,000</u>

Risk Management

The School is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance for all material risks of loss to which the School is exposed, including general liability, property, auto and workers compensation. A review of the last six years reveals that settled claims have not exceeded insurance coverage.

The School receives funding from the State of Florida based on the number of full time equivalent (FTE) students who attend the Charter School. The data is compiled by the School and is subject to audit by the State and if errors are found this could result in amounts having to be repaid to the State or decrease in future allocations. Management believes that the amounts that would have to be remitted to the State due to errors in their FTE count would not be material to the financial position of the School.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated events that occurred subsequent to the year end for potential recognition or disclosure in the financial statements, through the date on which the financial statements were available to be issued. The date when the financial statements were available to be issued was September 23, 2016. Management's evaluation did not reveal any subsequent events that would have a material effect on the financial statements.

Mark Escoffery, P.A.

Certified Public Accountant

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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 Members of
Boca Raton Charter School, Inc.,
Boca Raton, Florida

I have audited the financial statements of Boca Raton Charter School, Inc. ("the School") (a nonprofit organization) as of and for the year ended June 30, 2016, and have issued my report thereon dated September 23, 2016. I conducted my 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.

Internal Control over Financial Reporting

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**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 (Continued)**

To The Board Members of
Boca Raton Charter School, Inc.
Boca Raton, Florida
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board Members, Management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mark E. Coffey, P.A.

Palm Beach Gardens, Florida
September 23, 2016

Mark Escoffery, P.A.

Certified Public Accountant

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MANAGEMENT LETTER

To the Board Members of
Boca Raton Charter School, Inc.
Boca Raton, Florida

Report on the Financial Statements

I have audited the financial statements of the Boca Raton Charter School, Inc., Florida, ("the School) as of and for the fiscal year ended June 30, 2016, and have issued my report thereon dated September 23, 2016.

Auditor's Responsibility

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.580, Rules of the Auditor General.

Other Reports and Schedules

I have issued my 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*.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that I 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 findings and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Boca Raton Charter School, Inc.

MANAGEMENT LETTER
(Continued)

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, require that I report the results of my determination as to whether or not the Boca Raton Charter School, Inc. 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 my audit, I determined that the Boca Raton Charter School, Inc. did not meet any of the conditions described in Section 218.503(1).

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, I applied financial condition assessment procedures for the Boca Raton Charter School, Inc. It is management's responsibility to monitor the Boca Raton Charter School, Inc.'s financial condition, and my financial condition assessment was based in part on the representations made by management and the review of financial information provided by same. Financial assessments made did not indicate that the Boca Raton Charter School Inc.'s financial condition is deteriorating.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that I report the results of my determination as to whether the Boca Raton Charter School, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with my audit, I determined that the Boca Raton Charter School, Inc. 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 I address in the management letter any recommendations to improve financial management. In connection with my audit, I did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that I 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 my audit, I did not have any such findings.

Purpose of this Letter

My management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and The School District of Palm Beach County and is not intended to be and should not be used by anyone other than these specified parties.

Mark Escoffery, P.A.
Palm Beach Gardens, Florida
September 23, 2016

