

**The Advancement of Education in Scholars Corporation
D/B/A Paramount Charter School**

(A COMPONENT UNIT OF THE BROWARD COUNTY PUBLIC SCHOOL BOARD)

Independent Auditors' Report, Basic Financial Statements and Supplemental Information

FOR THE YEAR ENDED JUNE 30, 2016

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BOARD OF DIRECTORS

Ms. Jimika Mason
Ms. Ewana Anderson
Ms. Brenda Weaver

SCHOOL ADMINISTRATION

Dr. Corey Montgomery, Principal

ORGANIZATION'S MANAGEMENT

The Advancement of Education in Scholars Corporation
D/B/A Paramount Charter School
Jimika Mason, Board President, Acting Administrator
Arnise Lewis, Administrator, Special Programs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Advancement of Education in Scholars Corporation
D/B/A Paramount Charter School
Lauderhill, Florida

Report on the Financial Statements

We have audited the accompanying statements of the governmental activities and General Fund of Advancement of Education in Scholars Corporation D/B/A Paramount Charter School ("the School"), a not-for-profit organization and a component unit of the Broward County Public School Board, as of and for the year ended June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprises 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2016, and the respective changes in financial position, and budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by 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 require supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 obtained during our audit of the basic financial statements. We do no 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 30, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Jeffrey N. Haller, CPA, P.A.
Aventura, Florida

**The Advancement of Education in Scholars Corporation
D/B/A Paramount Charter School
Management's Discussion and Analysis
June 30, 2016**

The section of the annual financial report of The Advancement of Education in Scholars Corporation D/B/A Paramount Charter School (the "School") presents Management's Discussion and Analysis, which is intended to provide an overview and analysis of the School's financial position and changes in financial position for the fiscal year ended June 30, 2016.

Since the focus of the Management's Discussion and Analysis (MD&A) is on the current year activities, resulting changes and currently known facts, it should be read in conjunction with the School's financial statements, including the accompanying notes.

Overview of the Financial Statements

The annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements and the notes thereto, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements. The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

The document also includes the independent auditors' report on compliance and internal control required by Government Auditing Standards, as well in the management letter required by the Rules of the Florida Auditor General, Chapter 10.852, *Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual Instruction Program Providers*.

Financial Highlights

The fiscal year ended June 30, 2016, was the School's first year of operations. The following are among the major financial highlights:

- At June 30, 2016, the School had net position of \$
- At June 30, 2016, the School had current assets of
- For the year ended June 30, 2016, the School revenues exceeded expenses by
- For the year ended June 30, 2016, revenues were \$
- For the year ended June 30, 2016, expenses were \$

**The Advancement of Education in Scholars Corporation
D/B/A Paramount Charter School
Management's Discussion and Analysis
June 30, 2016**

Government wide Financial Statements

The *government-wide financial statements* are designated 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* includes all of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. The *Statement of Activities* report how the School's net position changed during the fiscal year, the difference between the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the School's financial condition. All changes in net assets are reported as soon as the underlying event occurs without regards to the timing of related cash flows. One must also consider additional nonfinancial factors such as changes in the School's student base and management leadership style. The government-wide financial statements can be found on pages 10-11 of this report

The *government-wide financial statements* are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no major business-type activities.
- *Component units* – there are currently no component units included within the reporting entity of the School.

Fund Financial Statements

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

Government Funds are used to account for essentially the same functions reports as governmental activities in the government-wide financial statements. The School has the following types of funds:

- General funds – 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.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

**The Advancement of Education in Scholars Corporation
D/B/A Paramount Charter School
Management's Discussion and Analysis
June 30, 2016**

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes of the financial statements can be found on pages 16 -28 of this report.

Budget Comparison Statements

The Board of the School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for both the general and special revenue funds to demonstrate compliances with the School's budget, detailed on pages 29 - 30.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The following table provides the School's net position for the year ended June 30, 2016:

Current and other assets	\$ 322,855
Capital assets, net	<u>201,114</u>
Total assets	<u>\$ 523,969</u>
Current and other liabilities	\$ 8,146
Noncurrent liabilities	<u>1,237,730</u>
Total liabilities	<u>\$1,245,876</u>
Net position:	
Unrestricted	\$ (923,021)
Net Investment in capital assets	<u>201,114</u>
Total assets	<u>\$ (721,907)</u>

Current and other assets of the School, primarily consisting of capitalized interest and start up costs. Noncurrent liabilities consist of unpaid rent, monies advanced to the School – all of which are in the midst of negotiation and restructuring, as of the date the audit report was released.

**The Advancement of Education in Scholars Corporation
D/B/A Paramount Charter School
Management's Discussion and Analysis
June 30, 2016**

Change in Net Position

REVENUES	
Federal through State:	
Title I Grant	\$34,420
State Revenue:	
Florida Education Finance Program	\$1,299,343
Local Revenue	
Contributions & Donated Facilities	<u>\$2,431</u>
Total Revenues	<u>\$1,336,194</u>
EXPENDITURES	
Instruction	\$938,514
Instructional support services	\$94,346
Board Administration	\$10,081
General Administration	\$64,769
School administration	\$190,007
Facilities and acquisition	\$225,000
Fiscal services	\$12,629
Food services	\$140,478
Pupil transportation services	\$121,546
Operation of plant	\$166,868
Maintenance of plant	\$18,039
Community services	\$9,153
Debt service	<u>\$66,650</u>
Total Expenditures	<u>\$2,058,080</u>
Net Change in Fund Balance	(\$721,886)
Fund Balance, July 1, 2015	<u>-\$21</u>
Fund Balance, June 30, 2016	<u><u>(\$721,907)</u></u>

State funds were the principal sources of revenue received to operate the school. There was a decline of approximately \$1,000,000, due to a loss of approximately 226 students from an initial enrollment of 400 students to a year-end low amount of 174 students. If the level of enrollment had been maintained, all expenditures would have been met, without having to secure long-term funding.

**The Advancement of Education in Scholars Corporation
D/B/A Paramount Charter School
Management's Discussion and Analysis
June 30, 2016**

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Financial information is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balance. As the School completed the fiscal year, its governmental funds reported a combined fund balance of \$(721,907).

General Fund and Special Revenue Fund Budgetary Highlights

Budget amendments, if necessary, generally fall into two categories:

- ✓ Changes made to account for changes in student enrollment
- ✓ Increases in appropriations to prevent certain budget overruns

For the year ended June 30, 2016, actual general fund revenues were \$1,596,362 below the budgeted amount of \$2,898,136, which represents a budget variance 55%. Actual general fund expenditures were 728,601 below the budget amount of \$2,752,261, a variance of 26%. The primary reason for the revenue shortfall was directly related to the decrease in enrollment; while the expenditures were spent at a higher level, due to the requirement to maintain separate gender classes, which forced instruction expenditures to increase. Instruction expenditures were \$415,482 less than the budget amount, with \$94,000 being offset by the instructional support services. School administration expenditures were \$71,073 more than budgeted, primarily from the purchase of textbooks of approximately \$76,000. Both food services and pupil transportation actual costs exceeded budget by \$66,229 and \$90,546, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the School had capital assets, net of accumulated depreciation and amortization of \$201,114. This investment in capital assets is composed of school furniture and equipment, computers and office equipment. There were no capital asset disposals in the current year. There is a computer lab of approximately \$130,000, which is being sublet from the landlord, with payments expected to begin the fiscal year ending June 30, 2017.

Start up costs of \$85,638 was incurred in this first year of operations, with an amortization period of 180 months, for an annual amortization amount of \$5,709.

Debt Administration

As of June 30, 2016, the School has the debt to the landlord in the amount of \$1,237,730. This is the legal matter that the School is in the process of resolving. (see Note I for more details).

**The Advancement of Education in Scholars Corporation
D/B/A Paramount Charter School
Management's Discussion and Analysis
June 30, 2016**

Noncurrent Liabilities

At the end of fiscal year 2016, the School had \$1,237,730 in noncurrent liabilities outstanding. This is based upon promissory notes and credit extended, amounting to \$823,015, unpaid rent and interest of \$353,500, and reimbursements due of \$61,215.

ECONOMIC OUTLOOK

- Expansion of school operations and related positive impact on financial position

The school's management primary focus during the next twenty-four months is firstly, stabilization, expansion, then viability, with emphasis being placed upon educational excellence and fiscal responsibility. Teachers will continue to be carefully chosen, based upon the needs of the enrolled and anticipated enrolled students. Principal and associated administrative personnel are constantly observing trends, and modifying operations to increase profitability monthly, parent satisfaction, and students' overall advancement are achieved.

- Decrease food services and pupil transportation expenditures

Board members and administration is in the midst of negotiations with other vendors who will meet the needs of catering the meals, and transportation of the pupils for a monthly amount which will assist in adhering to budgetary restraints. Food services cost is expected to decrease by \$145,000 annually, and pupil transportation will decrease by \$155,000 annually.

- Pay the negotiated facility and computer lab lease payments monthly; receive rental expense forgiveness of debt

It is anticipated by November 1, 2016, the negotiations for the revised facility and computer lab rental amount will be concluded, and the payments will be made, consistent with the revised terms. The landlord initially, via a Memorandum of Understanding, agreed to forgive approximately \$425,000 of rent and related costs.

- Increased enrollment of students

The expected level of students to be enrolled and remain registered in the year ending June 30, 2017 was 310 students (currently, as of issue date of the audit report, the number of students attending daily is 269) – the goal is 90% achieved, and is expected to remain level for the fiscal year ending June 30, 2017.

REQUEST FOR INFORMATION

Inquiries about this report or requests for additional information should be directed to Ms. Jimika Mason, 7100 W. Oakland Park Boulevard, Lauderhill, Florida 33313.

**The Advancement of Education in Scholars Corporation
D/B/A Paramount Charter School
Management's Discussion and Analysis
June 30, 2016**

**AUDIT COMPLETION CHECKLIST
FOR CHARTER SCHOOLS AND BROWARD COUNTY PULIC SCHOOLS**

The following information should be included in the yearly audit by the organizations submitting their annual external audit. For charter schools, the Auditor General of the State of Florida has issued rules that must be complied with (chapter 10.850). Please share this checklist with your external auditor.

- 1. The name and address of the school.
- 2. The name of the principal running the school.
- 3. Current list of the Board of Directors of the school.
- N/A 4. If the school is operated by a management company:
 - N/A a. Name of the company
 - N/A b. Address
 - N/A c. List of principal officials
 - N/A d. Contractual arrangement with the company, such as length of contract, terms, total fees paid for the year, etc. (This information should be included in the footnotes to the financial statements).
- N/A 5. The financial statements must include comparative totals for the prior year (included in the MDA per GASB 34).
- 6. The financial statements must comply with GASB 34 requirements, if applicable.
- 7. In the footnotes of the financial statements, the following should be disclosed:
 - a. Total school enrollment and grade configuration. If separate facilities are in operation, disclose name, address, and the enrollment and grade configuration at each facility.
 - b. Full disclosure of related party transactions, which should include the related party's name and address, and disclosure of the transaction, particularly if it is a loan that needs to be repaid (principal and interest paid and unpaid). If the debt is in arrears, disclosure of arrangements made to satisfy the debt.
 - c. Full disclosure of any other debts in arrears, particularly as they relate to the payment of withholding/social security taxes. Arrangements made to pay the debt(s).
 - d. For charter schools, full disclosure in the notes or as a separate schedule in the audit of the tangible personal property purchased with public funds. (It is a current contractual requirement for charter schools; however, we recommend that it be part of the audit).
 - e. If there is a deficit cash position or significant losses shown in the financial statements, full disclosure as to how the school plans to keep operating. The current assets should be sufficient to cover the current liabilities. The issue is whether sufficient resources would be available to maintain the school open. This issue may be addressed in the Management Letter.
 - f. Any disclosures of events subsequent to the balance sheet date that the auditor believes are important to the readers of the financial statements (e.g., significant contractual arrangements and financing or refinancing of debt, payment of past due taxes, etc).
- 8. If the audit is not submitted within the contractually required deadline, the Management Letter must comment on it with the appropriate response from the organization as to how it is going to be remedied in future audit submittals.
- 9. If there are management Letter findings, each finding must include a response by the organization. If there were prior audit findings, the current audit must include the status of action taken, i.e., whether the recommendation was fully implemented and, if not, when (date) it will be fully implemented. Note that quarterly reports may be required on a case-by-case basis depending on the severity or lack of resolution of the issues noted in the Management Letter.
- 10. Please enter the following information about the Certified Public Accountant issuing the audit report:

CPA's Name Jeffrey N. Haller, CPA
 CPA's Address 21205 N.E. 37th Avenue, Aventura, Florida 33180
 License No. AC0013899 Status: Active
 Expiration Date: December 31, 2017

THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>
Assets:	
Cash	\$21,831
Prepaid Expenses	14,114
Capital Assets, Net	201,114
Capitalized Interest & Taxes	206,981
Start Up/Organizational Costs, Net	<u>79,928</u>
Total Assets	<u><u>523,969</u></u>
Liabilities:	
Accounts Payable	5,998
Salaries & Wages Payable	1,148
Accrued Expenses	1,000
Long-Term Debt: Due in More Than One Year	<u>1,237,730</u>
Total Liabilities	<u><u>1,245,876</u></u>
Net Assets:	
Net Investment in Capital Assets Unrestricted	<u>201,114</u> <u>-923,021</u>
Total Net Position	<u><u>(\$721,907)</u></u>

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

THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016

Functions/Programs:	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental activities:				
Basic Instruction	\$ 938,514			(938,514)
Student Personnel Services	4,158			(4,158)
Instruction and curriculum	90,188			(90,188)
Board	10,081			(10,081)
School Board	64,769			(64,769)
School Administration	190,007			(190,007)
Fiscal Services	12,629			(12,629)
Food Services	140,479			(140,479)
Transportation Services	121,546			(121,546)
Maintenance of Plant	18,039			(18,039)
Operation of Plant	391,867			(391,867)
Community Services	9,153			(9,153)
Debt Services	66,650			(66,650)
Total Governmental Activities	\$ 2,058,080	0	0	(2,058,080)

General revenues:

Federal through State Title I Grant	34,420
State Revenue Florida Education Finance Program Contributions	1,299,343
	<u>2,431</u>
Total general revenues	1,336,194
Change in net position	(721,886)
Net position at July 1, 2015	(21)
Net position at June 30, 2016	\$ <u>(721,907)</u>

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

THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	21,831	0	21,831
Prepaid Expenses	14,114	0	14,114
Capitalized Interest & Taxes	206,981	0	206,981
Start Up Costs, net	<u>79,928</u>	<u>0</u>	<u>79,928</u>
TOTAL ASSETS	<u><u>322,855</u></u>	<u><u>0</u></u>	<u><u>322,855</u></u>
 <u>LIABILITIES & FUND BALANCE</u>			
Accounts Payable	5,998	0	5,998
Payroll Taxes Payable	1,148	0	1,148
Accrued Expenses	<u>1,000</u>	<u>0</u>	<u>1,000</u>
TOTAL LIABILITIES	<u><u>8,146</u></u>	<u><u>0</u></u>	<u><u>8145.73</u></u>
 FUND BALANCE			
Nonspendable			
Prepaid Expenses	14,114	0	14,114
Capitalized Interest & Taxes	206,981	0	206,981
Start Up Costs, Net	79,928	0	79,928
Unreserved, undesignated	<u>13,685</u>	<u>0</u>	<u>13,685</u>
TOTAL FUND BALANCE	<u><u>314,709</u></u>	<u><u>0</u></u>	<u><u>314,709</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 322,855</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 322,855</u></u>

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

THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
June 30, 2016

Fund balances - Total Governmental Funds	\$ 314,709
<p>Amounts reported for Governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not reported in the governmental funds</p>	
Capital Assets - Net of Accumulated Depreciation	201,114
<p>Long-term liabilities are not due and payable in the current period and so are not reported as fund liabilities, but are included in the statement of net position</p>	
Long-term Liabilities	<u>\$ (1,237,730)</u>
Net Position of Governmental Activities	<u><u>(\$721,907)</u></u>

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

**THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE (DEFICIT)- GOVERNMENTAL FUNDS
For The Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Federal through State:			
Title I Grant		\$34,420	\$34,420
State Revenue:			
Florida Education Finance Program	\$1,299,343		\$1,299,343
Local Revenue			
Contributions & Donated Facilities	\$2,431		\$2,431
Total Revenues	<u>\$1,301,774</u>	<u>\$34,420</u>	<u>\$1,336,194</u>
EXPENDITURES			
Instruction	\$904,094	\$34,420	\$938,514
Instructional support services	\$94,346		\$94,346
Board Administration	\$10,081		\$10,081
General Administration	\$64,769		\$64,769
School administration	\$190,007		\$190,007
Facilities and acquisition	\$225,000		\$225,000
Fiscal services	\$12,629		\$12,629
Food services	\$140,478		\$140,478
Pupil transportation services	\$121,546		\$121,546
Operation of plant	\$166,868		\$166,868
Maintenance of plant	\$18,039		\$18,039
Community services	\$9,153		\$9,153
Debt service	\$66,650		\$66,650
Total Expenditures	<u>\$2,023,660</u>	<u>\$34,420</u>	<u>\$2,058,080</u>
Net Change in Fund Balance	-5721,886	\$0	-5721,886
Fund Balance, July 1, 2015	<u>-\$21</u>	<u>\$0</u>	<u>-\$21</u>
Fund Balance, June 30, 2016	<u><u>-\$721,907</u></u>	<u><u>\$0</u></u>	<u><u>-\$721,907</u></u>

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

THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
RECONCILIATION OF REVENUES, EXPENDITURES, CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Net changes in fund balances - total governmental funds \$ (721,886)

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

Governmental funds report fixed capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Total fixed capital outlay	\$16,696	
Less depreciation	<u>\$ (16,696)</u>	<u>-</u>

Change in Net Position of Governmental Activities \$ (721,886)

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

**THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2016**

NOTE A – ORGANIZATION AND OPERATIONS

The Advancement of Education in Scholars Corporation, d/b/a Paramount Charter School, (“The School”), a not-for-profit organization and component unit of the Broward County Public School Board, incorporated in the State of Florida, was established as a charter school for children from kindergarten through eighth grade in Broward County. Beginning July, 2015, the School operates in the city of Sunrise, Florida. As of June 30, 2016, approximately 177 children were enrolled in the School, located in Sunrise. The School is funded primarily through the School Board of Broward County and certain government grants. The School was opened the beginning of August, 2015. The governing body of the School is the Board of Directors (the “Board”), which is composed of three (3) members. The financial information presented is that of The Advancement of Education in Scholars Corporation, d/b/a Paramount Charter School.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The School operates under a charter granted by the Broward County Public School District (the “Sponsor”). The charter for five years was effective until June 30, 2020, and may be renewed in increments of five years by mutual written agreement between the School and the Sponsor. At the end of the term in which case, the School shall complete a charter renewal application including documentation of the School’s success and current academic program for the Sponsor. Pursuant to Section 228.056(10)(e), of the Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the School Board. Sponsor may choose not to renew the charter under grounds specified in the charter, in which case, the Sponsor 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 District may also terminate the charter for good cause. For financial reporting purposes, the Organization is considered a component unit of the Sponsor, and is included in the School Board’s comprehensive annual financial report.

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.

**THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2016**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing relationships. Based on application of the criteria, the entity does not contain component units

During the year ended June 30, 2016, there were an average of 255 students enrolled, but as of year-end, there were 177 students actively enrolled and attending, confabulated in the following grades:

- Kindergarten to Third Grade 95 students
- Four to Eighth Grade 82 students

Government-wide and fund basic financial statements

Based on guidance provided 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 purposes.

Basic Financial Statements – Government-wide 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 major fund). 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 noncurrent debt and obligations. The school-wide statement of activities reports both the gross and net cost of each of the School's functions. The net costs, by function, are also support by general revenues (unrestricted contributions, investment earnings, miscellaneous revenue, etc). The statement of activities reduces gross expenses (including provision for depreciation) by related program revenues, operating and capital

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Notes to the Financial Statements
June 30, 2016**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

grants, and contributions. Program revenues must be directly associated with its specific function. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. For the year ended June 30, 2016, the School had program revenues of \$898,578 (donations)

This government-wide focus is more on the ability to sustain the School as an entity and the change in the School's net assets resulting from the current year's activities.

Fund Financial Statements

The School's accounts 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. Governmental Funds are those funds through which most School functions typically are financed. The acquisition, use, and balances of the School's expendable financial resources and the related current liabilities are accounted for through governmental funds

The School reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved operating budget. The School reports its general fund as a major fund.

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources, such as federal grants and certain state grants that are legally restricted to expenditures for specified 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 revenue or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates the timing of the measurements made regardless of the measurement focus and the governmental-wide statement uses the economic resources measurement focus.

**THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL**

Notes to the Financial Statements

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrual

Governmental activities in the governmental-wide financial statements are presented on the full-accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Revenue is considered to be available if it is collected within the current period or within sixty (60) days after year end or soon enough thereafter to be used to pay liabilities of the current period. The exception to this general rule is that the principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are impact aid, interest revenue, grants, and charges for services. Other revenue is recorded when received.

The School reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

The School also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Cash and Investments – The School considers all highly liquid investments maturing in 90 days or less (demand accounts and money market funds, not subject to withdrawal restrictions) as cash and cash equivalents. The School maintains its cash accounts with one financial institution. The School’s accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk (Note 3).

**THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2016**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items.

Due to and due 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.

Revenue Sources and Recognition: Revenues for current operations are received primarily from the State of Florida passed through the District to the School pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements, and is net of a 2% administration fee retained by the School Board

Inventories: Inventories, if present, are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School. For all funds, expenditures are recorded at the time of use.

Income Taxes: The School has filed the application to be exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these financial statements.

Capital Assets: Capital Assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated property and equipment are valued at their estimated fair value on the date received. Capital assets are defined as assets with an initial cost of \$500 or more, and an estimated useful life in excess of two years. 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 capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

**THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2016**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation on all capital assets is provided on the straight-line basis over the estimated useful lives as follows:

Site Improvements	5 – 20 years
Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

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

Compensated Absences: The liability for compensated absences reported in the school-wide statements consist of unpaid, accumulated annual and vacation balances. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matures as a result of employee resignations ore retirements. Payments for compensated absences are generally paid out of the General Fund. There was no liability at year end.

Long-Term Obligations: In the school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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 any outstanding balances of borrowings used for the acquisition, construction or improvement of those assets.

**THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
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Notes to the Financial Statements
June 30, 2016**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ❖ 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 is available to fund future operations.

Fund Balance: The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

- Nonspendable – this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term note receivable and deposits as nonspendable, since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted – this classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.
- Committed – this classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.
- Assigned – this classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.
- Unassigned – this classification includes amounts that have not been restricted, committed, or assigned for a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 9.

**THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2016**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned. Or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds, and lastly, the unassigned funds.

Budget: An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statues. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements, except for the reporting of a 2% administration fee retained by the School Board.

A comparison of actual results of operations to the budgeted amounts for the General Fund is presented as required supplemental information on page 29 of this report.

Date of Measurement Review: The School has evaluated subsequent events through September 30, 2016, which is the date that the financial statements were available to be issued.

NOTE C – DEPOSITS

Custodial credit risk – Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School is positioned to mitigate the custodial risk for deposits by conducting business with large national banks. As of June 30, 2016, the School did not have a bank balance in excess of \$250,000; the cash accounts totaled \$21,831, thus this amount was insured by the federal deposit insurance, and there was no exposure to credit risk.

State statues 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. The School's deposits are held in a qualified public depository.

Interest rate risk and credit risk – State law limits the allowable investments and the maturities of some of the allowable investments as identified, however, the School did not possess this type of investment at year end, and therefore, there were no interest rate or credit risk

THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2016

NOTE D – CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance 30-Jun 2016
Capital Assets, being depreciated:				
Furniture, fixtures and equipment	\$0	\$176,220	\$0	\$176,220
Computer equipment	<u>0</u>	<u>41,591</u>	<u>0</u>	<u>41,591</u>
 Total capital assets, depreciable	 0	 217,810	 0	 217,810
Less accumulated depreciation for:				
Furniture, fixtures and equipment	0	11,497	0	11,497
Computer equipment	<u>0</u>	<u>5,199</u>	<u>0</u>	<u>5,199</u>
 Total capital assets, depreciable	 <u>\$0</u>	 <u>\$16,696</u>	 <u>\$0</u>	 <u>\$16,696</u>

Provision for depreciation was charged to governmental activities as follows:

Food Service	\$ 678
School Administration	<u>16,018</u>
 Total Depreciation Expense	 <u>\$ 16,696</u>

NOTE E – PREPAID EXPENSES

Payroll taxes amounting to \$14,114 were deposited prior to the liability being incurred due to timing of the payment to the Internal Revenue Service occurring a few days later.

NOTE F – START UP COSTS

From May, 2015, start up costs were incurred to organize the charter school, which included marketing, consultation, training, and board development, in the amount of \$85,638. This cost is being amortized over a period of one hundred eighty (180) months.

**THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2016**

NOTE G – CAPITALIZED INTEREST & TAXES

Capitalized interest is the cost of the funds used to finance the construction or acquisition of a long-term asset, resulting in an increase in fixed asset, and upon completion, it will be depreciable. The landlord has charged the School \$150,000 as a part of the debt due. Also, \$56,981 of property taxes were paid and is deemed a part of the purchase price, therefore, it is capitalized. Total capitalized interest and taxes amounts to \$206,981, which will be added to the purchase price of the property.

NOTE H – SCHOOL FUNDING

The Advancement of Education in Scholars Corporation, d/b/a Paramount Charter School, (“The School”), received approximately \$5,225 per student for basic FTE funding for an average of 255 enrolled students.

NOTE I – LEASE

On April 8, 2015, the School entered into a lease agreement (the “Lease”) with the Vertex Nonprofit Organization, a Utah non-profit corporation for property, situated at 700 West Oakland Park Blvd, Sunrise, Florida 33313, to be used for the sole purpose of the operation of a charter school. The Fort Lauderdale facility lease was agreed for a starting annual amount of \$450,000, which was to be increased annually. Security deposits amounting to \$87,500 was to be paid by the School. The lease commenced on August 15, 2015. The term is a period of two hundred forty (240) months, with four (4) options to extend the initial fixed term for a period of up to five (5) years.

Approximate future minimum lease payments required for the lease as of June 30, 2016 are as follows:

For the years ending June 30,

2017	\$	500,000
2018		600,000
2019		615,000
2020		630,375
2021		646,134
Thereafter		<u>13,818,455</u>
Total	\$	<u>16,809,964</u>

This lease was amended by a Memorandum of Understanding, which the School defaulted on April 28, 2016. The School is currently in the midst of restructuring the

**THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2016**

agreement as of the release of the audit report on October 7, 2016. The anticipated terms will be for the landlord to forgive the first year rent and establish a new lease starting November 1, 2016.

NOTE I – LEASE, continued

The financial impact of this modification, for fiscal year ended June 30, 2016, would reduce the facility rental by \$225,000, the capitalized interest by \$150,000, loan interest by \$53,500, and the related loan by \$428,500, which would reduce the operating loss to \$293,407 from \$721,907.

NOTE J – ACCOUNTS PAYABLE AND PAYROLL TAXES PAYABLE

Accounts payable for the fiscal year ended June 30, 2016 consist of unpaid obligations, and accrued expenses, totaling \$6,998. At fiscal year ending of June 30, 2016, payroll taxes payable of \$1,148.

NOTE K – LONG TERM DEBT

The Board of Directors of The Advancement of Education in Scholars Corporation d/b/a Paramount Charter School executed several promissory notes, totaling \$639,379. All promissory notes state that the monies are due personally and severally from the School, and various Board members. These original promissory notes were defaulted on April 28, 2016. Additionally, there were funds advanced and disbursements made on behalf of the School, amounting to \$187,869 of unsecured debt, for a total amount due to American Charter Development, LLC, of \$827,248.

Unpaid rent and accumulated related late charges and interest due to Vertex Nonprofit Organization (a related organization of American Charter Development, LLC, equals \$410,482. The total debt due to American Charter Development, LLC totals \$1,237,730.

Currently, the School's attorney is in the midst of negotiating a restructured loan agreement. As of the date of the release of this audit report, the negotiation process is still active, and not completed.

NOTE K – RISK MANAGEMENT

The School is exposed to various risks of loss related to property loss, torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries (worker's compensation), as well as medical benefits provided to employees, general liabilities, and

**THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2016**

NOTE K – RISK MANAGEMENT, continued

natural disasters for which the School carries commercial liability insurance. The School has purchased commercial insurance for claims relating to worker's compensation and property/casualty claims. Under the plan for property insurance, the School has no liability per occurrence. There have been no settled claims resulting from the risks described above.

NOTE L – COMMITMENTS AND CONTINGENCIES

Grants – The Charter School has received significant assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed resulting from such audits could become a liability of the applicable fund of the School. The possible disallowance by the related agency of any item charged to the program, if any, cannot be determined at this time. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types include herein or on the overall financial position of the School at June 30, 2016, and no provision for any liability has been made in the financial statements.

Legal Matters

The Board of Directors has entered into legal negotiations to restructure the lease agreement, with terms which are commensurate with the enrollment of the students. Additionally, the use of the computer lab, which was installed on behalf of the School by the Landlord, is being placed on monthly terms, as part of the negotiated lease.

NOTE N – GOING CONCERN/LONG RANGE PLANS

The loss of \$721,907 occurred mainly because of a reduction in enrollment of 130 (from 400 in July, 2015 to 170 in June, 2016) students. This equaled approximately a decrease of \$845,000 in FTE revenue. The reduction in enrollment was because of transportation issues and teachers who were not sensitive to the type of students the School have enrolled. Also, the contract included a requirement of having the students in each class separated by gender, this led to having almost 22 teachers, with an average of 10 to 12 students in each class, instead of the District-permitted amount of 18 students per teacher.

The two above-stated issues have been addressed and is corrected. The contract for the current school year does not include the gender specification, and the teacher to student

**THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
Notes to the Financial Statements
June 30, 2016**

NOTE N – GOING CONCERN/LONG RANGE PLANS, continued

ratio has been adjusted accordingly. Transportation is being corrected by purchasing buses compliant with the District's guidelines and hiring the drivers which the School supervises.

The immediate plans for turning around the financial status of the organization are to increase enrollment, reduce the two costs that have further contributed to the loss, which were food and transportation. The changes that are currently being made will reduce the annual combined costs by \$300,000.

The School will continue to increase marketing efforts to enroll more students, including direct mail, radio and television advertisement. Enrollment was increased by 100 students for the current year, when compared to the fiscal year ended June 30, 2016.

The long range plan of the School is to continue developing the profitability of the organization, liquidate debt, and enhance management of the available resources.

NOTE O – SUBSEQUENT EVENTS

On October 5, 2016, this auditor received information via the confirmation process concerning the long term debt and lease agreement of the School, and legal activity has begun to determine the actual debt due to the landlord. Based upon the various agreements, there is a dispute of at least \$428,500. The evidence supported reflecting the liability in the financial statements for the year ended June 30, 2016. However, based upon the conclusion of the negotiation process, the financial statements may require restatement, due to materiality of the amount to be adjusted.

**THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended June 30, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Federal through State:			
Title I Grant			\$0
State Revenue:			
Florida Education Finance Pro	\$2,313,208	\$1,299,343	(\$1,013,865)
Local Revenue			
Contributions & Donated Fac	\$584,928	\$2,431	(582,497)
Total Revenues	<u>\$2,898,136</u>	<u>\$1,301,774</u>	<u>-\$1,596,362</u>
EXPENDITURES			
Instruction	\$1,319,575	\$904,093	(\$415,482)
Instructional support services	\$0	\$94,346	94,346
Board Administration	\$45,500	\$10,081	(35,419)
General Administration	\$63,292	\$64,769	1,477
School administration	\$261,080	\$190,007	(71,073)
Facilities and acquisition	\$559,500	\$225,000	(334,500)
Fiscal services	\$10,800	\$12,629	1,829
Food services	\$74,250	\$140,479	66,229
Pupil transportation services	\$31,000	\$121,546	90,546
Operation of plant	\$236,632	\$166,867	(69,765)
Maintenance of plant	\$38,632	\$18,039	(20,593)
Community services	\$0	\$9,153	9,153
Debt service	\$112,000	\$66,650	(45,350)
Total Expenditures	<u>\$2,752,261</u>	<u>\$2,023,660</u>	<u>(728,601)</u>
Net Change in Fund Balance	\$145,875	-\$721,886	(867,761)
Fund Balances, July 1, 2015	<u>\$0</u>	<u>-\$21</u>	<u>\$0</u>
Fund Balances, June 30, 2016	<u><u>\$145,875</u></u>	<u><u>-\$721,907</u></u>	<u><u>(\$867,761)</u></u>

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

THE ADVANCEMENT OF EDUCATION IN SCHOLARS CORPORATION
D/B/A PARAMOUNT CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For The Year Ended June 30, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Federal through State:			
Title I Grant	\$60,000	\$34,420	(\$25,580)
State Revenue:			
Florida Education Finance Program			\$0
Local Revenue			
Contributions & Donated Facilities			0
Total Revenues	<u>\$60,000</u>	<u>\$34,420</u>	<u>-\$25,580</u>
EXPENDITURES			
Instruction	\$60,000	\$34,420	(25,580)
Instructional support services			
Board Administration			
General Administration			
School administration			
Facilities and acquisition			
Fiscal services			
Food services			
Pupil transportation services			
Operation of plant			
Maintenance of plant			
Community services			
Debt service			
Total Expenditures	<u>\$60,000</u>	<u>\$34,420</u>	<u>-\$25,580</u>
Net Change in Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Fund Balances, July 1, 2015	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Fund Balances, June 30, 2016	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

OTHER AUDITOR'S REPORTS

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

To the Board of Directors
The Advancement of Education in Scholars Corporation
D/B/A Paramount Charter School
Lauderhill, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of **The Advancement of Education in Scholars Corporation D/B/A Paramount Charter School**, (the "School") a component unit of the District School Board of Broward County, as of and for the year ended June 30, 2016, 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 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The School's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing 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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of significant 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. We consider the deficiencies described in the accompanying management letter to be material weakness [ML]

A significant deficiency is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying management letter to be significant deficiencies [ML]


Compliance and Other Matters

As part of obtaining reasonable assurance about whether **The Advancement of Education in Scholars Corporation's** financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and

grants 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 opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying management letter [2015-2016].

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 School'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.



Jeffrey N. Haller CPA, P.A.
Aventura, Florida

MANAGEMENT LETTER

To the Board of Directors
The Advancement of Education in Scholars Corporation
D/B/A Paramount Charter School
Lauderhill, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of The Advancement of Education in Scholars Corporation D/B/A Paramount Charter School (The "School") a component unit of the District School Board of Broward County as of and for the fiscal year ended June 30 2016, and have issued our report, thereon dated September 30, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; (if applicable) the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules

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, (if applicable) Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance, and (if applicable) Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 30, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. This is the first audit performed, and therefore, there were no prior audit findings.

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 The Advancement of Education in Scholars Corporation D/B/A Paramount Charter School.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the (name of charter school or center) 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 Advancement of Education in Scholars Corporation D/B/A Paramount Charter School did meet the condition of failure to make long-term debt payments when due, as a result of lack of funds, described in Section 218.503(1) (a), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the (name of charter school or center). It is management's responsibility to monitor the (name of charter school or center)'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. There are no deteriorating financial conditions disclosed pursuant to Section 218.39(5), Florida Statutes, and Section 10.856(3)(c), Rules of the Auditor General.

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 (name of charter school) maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the (name of charter school) maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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

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 (refer to other governmental agencies if appropriate), the Board of Directors, applicable management, and Broward County Public School Board, and is not intended to be and should not be used by anyone other than these specified parties.



Jeffrey N. Haller CPA P.A.
Aventura, Florida

September 30, 2016

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CURRENT YEARS FINDINGS & RECOMMENDATIONS TO IMPROVE FINANCIAL MANAGEMENT, ACCOUNTING PROCEDURES AND INTERNAL CONTROLS

2010-ML-1 Accounting Policies & Procedures are not being followed and need to be updated

Criteria: The School does have a written accounting policies and procedures manual, to be followed for all revenues, expenditures, assets, liabilities, and fund balance transactions, but is not always adhering to the stated policies.

Condition: Transactions are posted, but without a prescribed standard to adhere to, it will not ensure completeness, accuracy, and validity to be reflected in the presentation of the financial results and position.

Questioned cost: N/A

Cause: Staff needs more training as to how to follow the prescribed procedures.

Effect: Deficiencies will occur in the posting of transactions and some of the accounting functions may be overlooked, reducing the effectiveness of the internal control system.

Auditors' Recommendation: Accounting policies and procedures manual be updated, procedures implemented and monitored, and employees trained, to ensure that the internal control system is strengthened.

2010-ML- 2 Accounts Receivables, Accounts Payable and Depreciation not entered in the integrated accounting software system until year end

Criteria: The School's interim internal fund statements should be reported under the accrual basis of accounting, where revenue is recognized when earned and expenses are recorded when an obligation is incurred and depreciation is recognized ratably throughout the year.

Condition: Accounts payable were recorded at year end in the accounting software system (QuickBooks) as a journal entry, rather than on a monthly basis utilizing the software on a daily basis as bills or liabilities are incurred. At the time of the receipt of the invoice, issuance of purchase order, or the occurrence of an obligation, the accounts payable were not accrued. No provision was recorded for depreciation of property and equipment, and the auditor posted at yearend. The beginning balance of the School's balance sheet did not agree with the audited financial statements of the prior year.

Questioned cost: N/A

Cause: The accounts payable module was not implemented until year end; the depreciation was not posted during the year, and the beginning balance required adjustment to reconcile with

audit.

Effect: Liabilities and expenses were understated, to the extent that the invoices and depreciation are not entered into the accounts payable module at the time the obligation is incurred.

Auditors' Recommendation: Invoices, purchase orders, unpaid bills must be entered into the accounts payable module. Accounts receivables should be recognized when earned and depreciation should be recorded ratably over the year on a monthly basis. All modules of the QuickBooks software that is relevant to the School's operation should be activated and integrated immediately.

2010-ML- 3 Unable to find approval in minutes of the Board of Director meeting for capital expenditure; no process for approving journal entries noted

Criteria: All material capital additions need approval from the Governance Bodies. Significant journal entries should be adequately supported and properly authorized/

Questioned cost: N/A

Cause: Not adhering to prescribed policies for authorization

Effect: No compliance of established procedure decreases the reliability of internal control.

Auditors' Recommendation: Establish and monitor appropriate authorization procedures.

**AUDITOR GENERAL
DISTRICT SCHOOL BOARD AND CHARTER SCHOOL
AUDIT REPORT SUBMITTAL CHECKLIST
(SECTION 218.39, FLORIDA STATUTES)**

DSB/Charter School Entity Name: The Advancement of Education in Scholars Corporation
D/B/A Paramount Charter School
DSB/Charter School Address: 7100 W Oakland Park Boulevard
Lauderhill, FL 33313

DSB/Charter School E-Mail Address: office@mcharter5430.comcastbiz.net

DSB/Charter School Contact Person:

Name: Jimika Mason
Title: Board President
Phone Number: 1-954-332-9840

CPA or Other (if applicable):

Name: Jeffrey N. Haller CPA, P.A.
Address: 21205 N. E. 37th Ave., Suite 1510
Aventura, Florida 33180
Phone Number: 305-532-1040
E-Mail Address: Jeffh1040@gmail.com

Fiscal Year Audited: June 30, 2016

Date Auditor Delivered Audit Report to the DSB or Charter School: October 10, 2017

Does the audit report include the following items required by Auditor General Rules 10.806(2) or 10.856(2), as applicable:

- Financial statements, as described in Auditor General Rules 10.805(3) and 10.855 (3) – (5) and (7), as applicable, together with related notes to financial statements?**
- Required supplementary information such as the Management's Discussion and Analysis**
- The auditor's report on the financial statements?**
- The auditor's report on internal control and compliance?**
- If applicable, the auditor's reports and related financial information required pursuant to the Federal *single Audit Act Amendments of 1996*, OMB Circular A-133, Or other applicable Federal law?**
- The engagement letter defined in Auditor General Rules 10.804(1)(f) and 10.854(1)(e), as applicable?**
- The written statement of explanation or rebuttal required by Auditor General Rules 10.807(1) and 10.857(2), as applicable?**

N/A For district school boards that had an impact fee adopted by ordinance on their behalf, an "affidavit" signed and sworn to by the Chief Financial Officer before an officer authorized to administer oaths (e.g., notary public) stating that the ordinance complied with the requirements of Section 163.31801, Florida Statutes.

In addition to the above, have the following requirements been complied with:

 x Are one paper copy and one electronic copy of the audit report being submitted as required by Auditor General Rules 10.807(3) and 10.857(4), as applicable?

 x Was the audit report submitted within 45 days after receipt of the audit report from the auditor, but no later than 12 months after the end of the fiscal year?
NOTE: There are no provisions in the statutes for any extensions for filing the audit report.

This checklist should accompany the audit report. It is suggested that you retain a copy of the checklist for your files. Do not hesitate to contact this office if assistance or clarification is needed regarding reporting requirements. Our address, telephone, and fax numbers are as follows:

Auditor General
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, Florida 32399-1450
Telephone: (850) 487-9031
Fax: (850) 487-4403
Email Address: flaudgen_dsb_charter@aud.state.fl.us
Web site Address: www.myflorida.com/audgen