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ARTS ACADEMY OF EXCELLENCE, INC.

**A CHARTER SCHOOL
AND COMPONENT UNIT
OF THE MIAMI-DADE COUNTY
SCHOOL BOARD
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

ARTS ACADEMY OF EXCELLENCE, INC.

**A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Arts Academy of Excellence, Inc.
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Arts Academy of Excellence, Inc. (the "Charter School"), which is a component unit of the Miami-Dade County District School Board, Miami, Florida, as of, and for the Year Ended June 30, 2018, which collectively comprises the Charter School's basic financial statements as listed in the table of contents for the Year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provision of Chapter 10.850, Charter School's audit, issued by the Auditor General of the State of Florida. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic 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, 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.

INDEPENDENT AUDITORS' REPORT – Continued

Auditors' Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter School, as of June 30, 2018, 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.

Emphasis of Matter

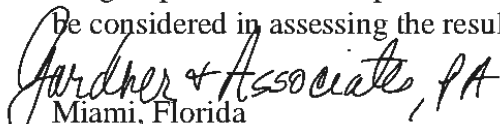
The school recorded an overall fund balance deficit of (\$59,140). The School's management believes this deficit is due primarily due to initial startup and capitalization cost.

Other Matters- Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–9 and 28–29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2018, on our consideration of the Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Miami, Florida
September 27, 2018

ARTS ACADEMY OF EXCELLENCE, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED JUNE 30, 2018

As management of Arts Academy of Excellence, Inc. (the "Charter School"), we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal Year Ended June 30, 2018. We encourage readers to consider the information presented here through page 9 of this report.

Overview of the financial statements

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

Government-wide financial statements

The government-wide financial statements, which consist of the statement of Net Position and the statement of activities, are designed to provide readers with a broad overview of the Charter School's finances, in a manner similar to a private sector business.

The statement of Net Position provides information on all the Charter 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 Charter School is improving or deteriorating. However, as a governmental entity, the Charter School's activities are not geared towards generating profit as are the activities of commercial entities. Other factors such as the safety at the Charter School and quality of education, must be considered in order to reasonably assess the Charter School's overall performance.

The statement of activities presents information showing how the Charter School's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 11-12 of this report.

ARTS ACADEMY OF EXCELLENCE, INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

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. The Charter School, like other state and local governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Charter School has only one category of funds – governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term, inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Charter School's near-term financing requirements.

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

The basic governmental fund financial statements can be found on pages 14-17 of this report.

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 governmental fund financial statements.

The notes to the financial statements can be found on pages 18-26 of this report.

Supplementary Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Charter School's adopted budget to actual results.

ARTS ACADEMY OF EXCELLENCE, INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table presents an analysis of the condensed government-wide statements of net position:

CONDENSED STATEMENT OF NET POSITION

	<u>June 30, 2018</u>
Current assets	\$ 37,123
Noncurrent assets	
Capital assets, net of depreciation	170,910
Total assets	<u>\$ 208,033</u>
Current liabilities	<u>\$ 207,360</u>
Net Position	
Unrestricted	<u>\$ 673</u>
Total Net Position	<u>\$ 673</u>
Total Liabilities and Net Position	<u>\$ 208,033</u>

At the end of the fiscal year, the Charter School reports a positive balance in net position of \$10,262 for 2018. The Charter School's net position reflects its investment in capital assets (e.g. buildings, building improvements, furniture, fixtures and equipment), net of related debt. The Charter School uses its capital assets to provide services to students. Consequently, these assets are not available for future spending.

Resources that are subject to external restrictions on how they may be used are classified as restricted assets. As of June 30, 2018, the Charter school had no restricted assets. The unrestricted balance may be used in any of the Charter School's ongoing operations.

ARTS ACADEMY OF EXCELLENCE, INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Government-wide Financial Analysis - Continued

The following table presents information on the condensed government-wide statements of changes in net position:

CONDENSED STATEMENT OF CHANGES IN NET POSITION

	<u>2018</u>
Revenues:	
General revenues	\$ 469,179
Program revenues:	
Operating grants and contributions	<u>233,956</u>
Total revenues	<u>703,135</u>
Expenses:	
Instruction	197,716
Student support services	11,644
School Board	5,525
General administration	16,128
School administration	106,487
Facilities Acquisition and Construction	199,392
Fiscal services	2,463
Food services	28,452
Central services	9,825
Student transportation services	48,420
Operation of plant	44,415
Unallocated depreciation expense	<u>31,995</u>
Total expenses	<u>702,462</u>
Change in net position	673
Beginning Net Position- July 1, 2017	<u>-</u>
Ending Net Position - June 30, 2018	<u>\$ 673</u>

ARTS ACADEMY OF EXCELLENCE, INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Government-wide financial analysis - Continued

- At year-end there are 42 students in 6th - 9th grade. Revenues are based on the amount received per student from the State through the School Board of Miami-Dade County.
- Expenses for instruction are the result of teachers' salaries and related benefits, and materials and supplies that directly impact student learning.
- School administration is due primarily to administrators and other administrative personnel and related benefits as well as administrative costs.
- Plant operations expenses consist of utilities, communications, insurance cost, support personnel and related benefits.

Financial Analysis of the Charter School's Funds

As noted earlier, the Charter School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the Charter School's governmental funds is to provide information on near-term inflows, outflows and spendable resources. Such information is useful in assessing the Charter School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Charter School's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2018 the Charter School's governmental fund reported a negative ending fund balance of \$59,140.

ARTS ACADEMY OF EXCELLENCE, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEAR ENDED JUNE 30, 2018

Budgetary Highlights

Prior to the start of the School's fiscal year, the Board of directors of the School adopted an annual budget. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget. Budget to actual comparisons for fiscal year 2018 are presented on Page 28.

Variances reported in the budget to actual comparison for fiscal year 2018 resulted primarily from the following:

2018- General Fund

- FEFP revenues increased slightly during the year due to enrollment during the 2nd FTE reporting period.
- School administration exceeded budget because more supplies were needed for the school.
- Central services exceeded budget due to the need for more advertising to increase enrollment.
- Transportation was more than budgeted because the school switched vendors due to more bus routes added.
- Food services cost were more than budgeted because more meals were prepared.
- School board expenses were less than budgeted because legal fees were lower than expected.

Capital Assets and Debt Administration

As of June 30, 2018, the Charter School had investment in capital assets of \$170,910. This amount is net of accumulated depreciation of \$31,995 for 2018. Capital assets additions in the current year include new computer software, computers and furniture.

The Charter School has \$111,097 in outstanding debt as of June 30, 2018.

Economic Factors

During fiscal year 2018, the Charter School's net position was a positive \$673.

ARTS ACADEMY OF EXCELLENCE, INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

School Enrollment

During the fiscal year June 30, 2018, the grade levels at the Charter School ranged from 6th – 9th grade, with a total enrollment of 42 students.

Requests for Information

The financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the School's finances. Questions concerning any of the information should be addressed to Ms. Lyra Blizzard, 780 Fisherman Street, Ste. 210, Opa-Locka, FL 33054.

ARTS ACADEMY OF EXCELLENCE, INC.

A CHARTER SCHOOL AND COMPONENT UNIT OF THE MIAMI-DADE

COUNTY DISTRICT SCHOOL BOARD

BASIC FINANCIAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2018

ARTS ACADEMY OF EXCELLENCE, INC.

STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>2018 Governmental Activities</u>
Assets	
<u>Current Assets</u>	
Cash	\$ 12,472
Accounts receivable, net	24,651
Total Current Assets	<u>37,123</u>
<u>Property and Equipment</u>	
Furniture, fixtures and equipment	202,905
Less accumulated depreciation	<u>(31,995)</u>
Total Property and Equipment	170,910
Total Assets	<u><u>\$ 208,033</u></u>
 Liabilities and Net Assets	
<u>Current Liabilities</u>	
Accounts payable	\$ 93,572
Salaries and wages payable	2,691
Note payable- current	<u>111,097</u>
Total Current liabilities	207,360
 Net Position	
Invested in capital assets, net of related debt	170,910
Unrestricted	<u>(170,237)</u>
Total Net Position	673
Total Liabilities and Net Position	<u><u>\$ 208,033</u></u>

The accompanying notes are an integral part of these statements

ARTS ACADEMY OF EXCELLENCE, INC.

**STATEMENT OF ACTIVITIES
JUNE 30, 2018**

	Program Revenues				Net Revenues (Expenses) and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 197,716	\$ -	\$ 219,217	\$ -	21,501
Student support services	11,644	-	-	-	(11,644)
School board	5,525	-	-	-	(5,525)
General administration	16,128	-	-	-	(16,128)
School administration	106,487	-	-	-	(106,487)
Facilities acquisition and construction	199,392	-	-	-	(199,392)
Fiscal services	2,463	-	-	-	(2,463)
Food services	28,452	-	14,739	-	(13,713)
Central services	9,825	-	-	-	(9,825)
Student transportation services	48,420	-	-	-	(48,420)
Operation of plant	44,415	-	-	-	(44,415)
Unallocated depreciation expense	31,995	-	-	-	(31,995)
	<u>\$ 702,462</u>	<u>\$ -</u>	<u>\$ 233,956</u>	<u>\$ -</u>	<u>\$ (468,506)</u>
General revenues:					
					265,983
School Board of Miami- Dade County - FTE					-
Investment earnings					203,196
Miscellaneous					469,179
					673
Total general revenues					673
Change in net assets					-
Beginning Net Position - July 1, 2017					\$ 673
Ending Net Position - June 30, 2018					\$ 673

The accompanying notes are an integral part of these statements

ARTS ACADEMY OF EXCELLENCE, INC.

A CHARTER SCHOOL AND COMPONENT UNIT OF THE MIAMI-DADE

COUNTY DISTRICT SCHOOL BOARD

FUND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

ARTS ACADEMY OF EXCELLENCE, INC.

**BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2018**

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
<u>Current assets</u>			
Cash	\$ 12,472	\$ -	\$ 12,472
Accounts receivable	24,651	-	24,651
Due from other funds	13,713	-	13,713
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 50,836</u>	<u>\$ -</u>	<u>\$ 50,836</u>
 LIABILITIES AND FUND BALANCES			
<u>Current liabilities:</u>			
Accounts payable	\$ 93,572	\$ -	\$ 93,572
Due to other funds	-	\$ 13,713	13,713
Salaries and wages payable	2,691	-	2,691
Total Current liabilities	<u>96,263</u>	<u>13,713</u>	<u>109,976</u>
 Fund Balances:			
Nonspendable			
Unassigned	<u>(45,427)</u>	<u>(13,713)</u>	<u>(59,140)</u>
Total fund balances	<u>(45,427)</u>	<u>(13,713)</u>	<u>(59,140)</u>
Total Liabilities and Fund Balances	<u>\$ 50,836</u>	<u>\$ -</u>	<u>\$ 50,836</u>

The accompanying notes are an integral part of these statements

ARTS ACADEMY OF EXCELLENCE, INC.

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>2018</u>
Total fund balances- Governmental funds, Page 14	\$ (59,140)
 Amounts reported for governmental activities in the Statement of Net assets are different because:	
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Cost of capital assets	\$ 202,905
Accumulated depreciation	<u>(31,995)</u> 170,910
 Long-term debt proceeds are reported as other financing sources in governmental Funds and as long-term liabilities in the Statement of Net Position	
	(111,097)
Total Net Position - governmental activities, Page 11	<u>\$ 673</u>

The accompanying notes are an integral part of these statements

ARTS ACADEMY OF EXCELLENCE, INC.

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE – GOVERNMENTAL FUND
JUNE 30, 2018**

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
School Board of Miami- Dade County - FTE	\$ 265,983	\$ -	\$ 265,983
Operating grants and contributions	1,138	232,818	233,956
Miscellaneous revenue	203,196	-	203,196
	<hr/>	<hr/>	<hr/>
Total revenues	470,317	232,818	703,135
	<hr/>	<hr/>	<hr/>
Expenditures			
Instruction	149,035	48,681	197,716
Student support services	11,644	-	11,644
School Board	950	4,575	5,525
General administration	13,594	2,534	16,128
School administration	106,487	-	106,487
Facilities Acquisition and Construction	199,392	-	199,392
Fiscal services	2,463	-	2,463
Food services	-	28,452	28,452
Central services	2,497	7,328	9,825
Student transportation services	48,420	-	48,420
Operation of plant	44,415	-	44,415
Capital outlay:			
Furniture & equipment	47,944	154,961	202,905
	<hr/>	<hr/>	<hr/>
Total current expenditure	626,841	246,531	873,372
	<hr/>	<hr/>	<hr/>
Excess (deficit) of revenues over expenditures	(156,524)	(13,713)	(170,237)
	<hr/>	<hr/>	<hr/>
Other financing sources			
Proceeds from note payable	111,097	-	111,097
	<hr/>	<hr/>	<hr/>
Total other financing sources	111,097	-	111,097
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(45,427)	(13,713)	(59,140)
Beginning Fund Balance - July 1, 2017	-	-	-
Ending Fund Balance - June 30, 2018	<u>\$ (45,427)</u>	<u>\$ (13,713)</u>	<u>\$ (59,140)</u>

The accompanying notes are an integral part of these statements

ARTS ACADEMY OF EXCELLENCE, INC.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
JUNE 30, 2018**

		<u>2018</u>
Total net changes in fund balance - governmental funds, Page 16	\$	(59,140)
 Amounts reported for governmental activities in the statement of net position are different because:		
 Capital outlays are reported in governmental funds as expenditures however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Cost of capital assets purchased	\$	202,905
Provision for depreciation		<u>(31,995)</u> 170,910
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
		(111,097)
 Change in Net Position of governmental activities, Page 12	 \$	 <u>673</u>

The accompanying notes are an integral part of these statements

ARTS ACADEMY OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OPERATIONS

Nature of Operations

Arts Academy of Excellence, Inc. (the “Charter School”) is a not-for-profit corporation, organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The Charter School operates under a Charter approved by its sponsor, the Miami-Dade County District School Board. The governing body of the Charter School is the not-for-profit corporation’s Board of Directors which is composed of three (3) members.

The Charter School provides educational services to students in 6th – 9th grades. The core philosophy and purpose of the Charter School is to demonstrate that the Charter School’s students can learn at high levels through an academically rigorous and innovative curriculum that incorporates the development of good character.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Charter School operates under a charter of the sponsoring school district, Miami-Dade County District School Board (the “District”). The current charter is effective until June 30, 2021 and may be renewed in increments of 5 to 15 Year by mutual agreement between the Charter School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the Charter School in writing at least 90 days prior to the Charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Arts Academy of Excellence, Inc. is considered a component unit of the Miami-Dade County District School Board.

Criteria of determining if other entities are potential component units which should be reported within the Charter School’s financial statements are identified and described in the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Charter School is financially accountable and other organizations for which the nature and significance of their relationship with the

ARTS ACADEMY OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Charter School's are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Charter School.

Basis of Presentation:

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

Government-wide Financial Statement:

The government-wide financial statements (i.e., the statement of Net Position and the statement of changes in Net Position) report information on all activities of the Charter School. The effect of interfund activity, generally, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) operating grants and contributions that are used to meet the operational requirements of a particular function or program, and 2) capital grants and contributions that are restricted to meeting the capital requirements of a particular function or program.

Fund financial statements:

The Charter School accounts are organized on the basis of 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.

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.

Agency Fund – accounts for resources of the School's Internal Fund, which is used to administer monies collected at the schools in connection with school, student athletics, class, and club activities.

ARTS ACADEMY OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting:

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

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

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenues is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Capital assets

Capital assets, which include land, buildings, building improvements, furniture and fixtures, equipment and library books are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the Charter School as assets with an initial, individual cost of more than \$500 and a life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Estimated useful lives, in Year, for depreciable assets are as follows:

Building and improvements	5-20 Year
Furniture, equipment and computers	5-7 Year

Donated capital assets, if any, are recorded at estimated fair value at the date of donation.

Within governmental funds, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported within the governmental fund financial statements.

ARTS ACADEMY OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

Due from Other Governments or Agencies

Amounts due to the Charter School by other governments or agencies are for grants or programs under which the services have been provided by the Charter School.

Revenue Sources

Revenues for operations will be received primarily from the District pursuant to the funding provisions included in the Charter School's charter. In accordance with the funding provisions of the charter and section 1002.33, Florida Statutes, the Charter School will report 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 the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the Charter School during the designated full-time equivalent student survey periods.

The Charter School also receives Federal funding for the school food program. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenues are recognized to the extent that eligible expenditures have been incurred. Also, other revenues may be derived from various fundraising activities and certain other programs.

Compensated Absences

The Charter School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work.

GASB Codification Section C60, Accounting for Compensated Absences, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place.

Accordingly, these financial statements do not include an accrual for sick days available to be used in future benefit year.

ARTS ACADEMY OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

Deferred outflows/Inflows of Resources:

The statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Equity classifications:

Government-wide financial statement

Equity is classified as Net Position and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Position – 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. There are no restricted Net Position.
- c. Unrestricted Net Position – all other Net Position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”

Fund financial statements

GASB Codification Section 1800.142. Fund Balance Reporting and Governmental Fund Type Definitions, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories lists below:

- a. Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end related to not in spendable asset form.
- b. Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource provider, or through enabling legislation. Restricted fund balance of the School relates to reserves required by the landlord for property maintenance and repairs.

ARTS ACADEMY OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund financial statements-continued

- c. Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Charter School’s Board of Director. There are no committed fund balances at year end.
- d. Assigned – fund balance classification is intended to be used by the Charter School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e. Unassigned – fund balance is the residual classification for the Charter school’s general fund and includes all spendable amounts not contained in the other classification,

Encumbrances

Encumbrances represent commitments relating to unperformed contracts for goods or services. At June 30, 2018, there were no encumbrances outstanding.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition of disclosure through September 27, 2018, which is the date the financial statements were available to be issued.

ARTS ACADEMY OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - CASH AND CERTIFICATE OF DEPOSIT

As of June 30, 2018, the bank balance was \$12,472. The bank balance did not exceed the FDIC limit as of June 30, 2018.

The Charter School is operated under a Charter sponsored by the Miami-Dade County School District as described in Note 1. Accordingly, its bank deposits are governed by Chapter 280 of the Florida Statutes. All time and demand deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act", the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral having a market value equal to an amount from 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held.

The percentage of eligible collateral (generally, U.S. Government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its financial condition. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Therefore, all cash deposits in an approved Florida banking institution are both collateralized and insured and not subject to a concentration of credit risk or a custodial credit risk as defined in Government Accounting Standards Board ("GASB") Statement No. 40. The Charter School has no monetary assets other than cash in an approved depository.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable represent a receivable of \$24,651 from the National School Lunch Program, and the Opa-Locka CDC.

**ARTS ACADEMY OF EXCELLENCE, INC. D/B/A
ACADEMIR CHARTER SCHOOL PREPARATORY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 5 – CAPITAL ASSETS

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Furniture, Fixtures, and Equipment	\$ -	\$ 202,905	\$ -	\$ 202,905
	-	202,905	-	202,905
Less: Accumulated Depreciation	-	(31,995)	-	(31,995)
Total	\$ -	\$ 170,910	\$ -	\$ 170,910

The provision for depreciation for the Year Ended June 30, 2018 amounted to \$31,995.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Lease Agreement:

The Charter School’s facility is owned by the City of Opa Locka. The Charter School leased the facility for three years, the lease expires June 30, 2019. The rent paid as of June 30, 2018 was \$199,392. Future minimum lease obligation for the school is \$215,388.

A portion of the rent paid includes an accrued disputed amount of \$35,901 for two month’s rent as of June 30, 2018. The Charter School had to undergo major repairs and upgrades to bring the building in compliance for occupancy. In lieu of these upgrades done by the Charter School, the City of Opa-Locka was to waive two months of rent for the Charter School. As of the date of this report, the dispute has not been settled.

Grant Funding:

The School receives of financial assistance from Federal and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. In accordance with OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, the School was not required to conduct a “Single Audit” since the required threshold of Federal money is currently \$750,000 and the School did not exceed such threshold.

ARTS ACADEMY OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts, thefts of damage to and destruction of assets, errors and omissions and natural disasters for which the Charter School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past three (3) year. In addition, there were no reductions in insurance coverage from those in the prior year.

NOTE 8- RELATED PARTY

In accordance with the Charter Agreement, the School Board of Miami-Dade County retains 5% as an administrative fee. This funding is received on a pro rata basis over the twelve-month period and is adjusted for changes in full-time equivalent student population. After review and verification of Full-Time Equivalent (“FTE”) reports and supporting documentation, the Florida Department of Education may adjust subsequent fiscal period allocations of FTE funding for prior year’s errors disclosed by its review as well as to prevent the statewide allocation from exceeding the amount authorized by the State Legislature.

On May 13, 2016 a partnership agreement was entered into by and between Opa-Locka Community Development Corporation and Arts Academy of Excellence. During the fiscal year 2018, Arts Academy of Excellence received payments in the amount of \$131,152, from Opa-Locka CDC. These payments were for space to provide joint educational services to students in the Opa-Locka community.

NOTE 9- NOTE PAYABLE

On June 30, 2016, the Charter School received a non-interest-bearing line of credit from Community Fund of North Miami, Dade, Inc. (a subsidiary of Opa-Locka CDC). The revolving line of credit of \$250,000 was effective July 13, 2017, for a one-year maturity date. As of June 30, 2018, the outstanding balance was \$111,097.

SUPPLEMENTARY INFORMATION

ARTS ACADEMY OF EXCELLENCE, INC.

**BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2018**

GENERAL FUND BUDGET

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts GAAP Basis</u>	<u>Variances Positive (Negative)</u>
Revenues:				
School Board of Miami- Dade County - FTE	\$ 1,337,923	\$ 261,456	\$ 265,983	\$ 4,527
Operating grants and contributions	-	1,138	1,138	-
Miscellaneous revenue	-	202,995	203,196	201
Total revenues	<u>1,337,923</u>	<u>465,589</u>	<u>470,317</u>	<u>4,728</u>
Instruction	447,882	151,537	149,035	2,502
Student support services	67,099	9,860	11,644	(1,784)
School Board	8,610	4,950	950	4,000
General administration	64,520	13,073	13,594	(521)
School administration	159,397	104,549	106,487	(1,938)
Facilities Acquisition and Construction	118,800	163,492	199,392	(35,900)
Fiscal services	6,500	2,389	2,463	(74)
Central services	58,728	2,497	9,825	(7,328)
Student transportation services	64,800	43,176	48,420	(5,244)
Operation of plant	97,740	43,837	44,415	(578)
Maintenance of plant	10,000	150	-	150
Total expenditure	<u>1,104,076</u>	<u>539,510</u>	<u>634,169</u>	<u>(94,659)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 233,847</u>	<u>\$ (73,921)</u>	<u>\$ (163,852)</u>	<u>\$ (89,931)</u>

SPECIAL REVEUE FUND BUDGET

	<u>Original Bndget</u>	<u>Final Budget</u>	<u>Actnal Amonnts GAAP Basis</u>	<u>Variances Positive (Negative)</u>
Revennes:				
Operating grants and contribntions	\$ 368,568	\$ 231,976	\$ 232,818	\$ 842
Charges for services	-	-	-	-
Total revennes	<u>368,568</u>	<u>231,976</u>	<u>232,818</u>	<u>842</u>
Instrction	202,300	47,202	48,681	(1,479)
School Board	6,100	5,325	4,575	750
General administration	2,376	2,376	2,534	(158)
Food Services	142,368	24,403	28,452	(4,049)
Central services	7,328	7,328	7,328	-
Capital ontlay	-	154,906	154,961	(55)
Total expenditnre	<u>360,472</u>	<u>241,540</u>	<u>246,531</u>	<u>(4,991)</u>
Excess (deficit) of revennes over expenditnres	<u>\$ 8,096</u>	<u>\$ (9,564)</u>	<u>\$ (13,713)</u>	<u>\$ (4,149)</u>

ARTS ACADEMY OF EXCELLENCE, INC.

NOTES TO SUPPLEMENTARY INFORMATION

Budgetary Basis Accounting

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

NOTE A.

The Charter School formally adopted a budget for the Year Ended June 30, 2018. Budgeted amounts may be amended by resolution or ordinance by the Board. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of the actual results of operations to the budgeted amounts for the General Fund is presented as supplementary information.

NOTE B.

The budget is adopted using the same basis of accounting on which the financial statements are prepared except for a 5% administrative charge that is retained by the School Board of Miami-Dade County.



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

To the Board of Directors
Arts Academy of Excellence, Inc.
Miami, Florida

We have audited, in accordance with the standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Arts Academy of Excellence, Inc. (the "Charter School"), a component unit of the Miami-Dade County District School Board, as of and for the Year Ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Arts Academy of Excellence, Inc.'s basic financial statements, and have issued our report thereon dated September 27, 2018.

Internal Control over Financial Reporting

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

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



Internal Control over Financial Reporting (Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors, management, the Miami-Dade County District School Board and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Gardner & Associates, PA
Miami, Florida
September 27, 2018



**MANAGEMENT LETTER
IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF
THE STATE OF FLORIDA**

To the Board of Directors
Arts Academy of Excellence, Inc.

Miami, Florida

Report on the Financial Statements

We have audited the financial statements of Arts Academy of Excellence, Inc. (“the School”), Florida, as of and for the fiscal Year Ended June 30, 2018, and have issued our report thereon dated September 27, 2018

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports which are dated September 27, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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



Management Letter - Continued

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity be disclosed in this management letter. The official title of the entity is Arts Academy of Excellence, Inc.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Section 10.854(1)(e)6. a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. At June 30, 2018 the School met the definition of deteriorating financial conditions as follows:

Finding 2018-01 - Deteriorating Financial Condition

Criteria: As defined in Section 218.39(5)(b) indicators of a deteriorating financial condition are a fund balance deficit in total or for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit and for which sufficient resources are not available to cover the deficit.

Condition: At June 30, 2018 the School had a spendable- unassigned fund balance deficit of (\$59,140). Current liabilities exceed current assets. Current assets should equal or exceed current liabilities.

Cause: The School is in its first year of operations and expended resources for the initial startup cost and purchases of capital assets for which it did incur some related debt.

Potential effect: Potentially the School could lack the resources to meet its obligations.

Recommendation: The School should monitor its enrollment and budget versus expenditures to ensure spending is within the budget.

Management Letter – Continued

Financial Condition and Management - Continued

Views of Responsible Officials: The School officials believe this situation arose from the expenditure of resources for capital assets and startup costs in the first year of operations and is not a true deteriorating financial condition. The Organization has sufficient resources to support the needs of the School.

Section 10.854(1)(e)(3), Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did have a recommendation.

Transparency


Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its website information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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, School Board of Directors, School's management, and the School Board of Miami-Dade County and is not intended to be and should not be used by anyone other than these specified parties.


Miami, Florida
September 27, 2018

ARTS ACADEMY OF EXCELLENCE, INC.
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2018

During our audit of the financial statements of Arts Academy of Excellence for the year ended June 30, 2018 the following are the findings;

Finding:

On May 13, 2016 a partnership agreement was entered by and between Opa-Locka Community Development Corporation and Arts Academy of Excellence. During the fiscal year 2018, Arts Academy of Excellence received payments in the amount of \$131,152, from Opa-Locka CDC. These payments were for space to provide joint educational services to students in the Opa-Locka Community.

The payments for space could be a breach of the lease contract between Arts Academy of Excellence and the City of Opa-Locka, as subletting space of the premises is allowed only with written authorization from the City of Opa-Locka. We have found no evidence that the City of Opa-Locka has given written authorization to Arts Academy of Excellence.

Management response:

The Memorandum of Understanding that exists between Arts Academy of Excellence and Opa-Locka CDC allows for shared services. As such, no breach of the lease agreement exists. The MOU was provided to the City of Opa-locka and its details were discussed between the Academy's management and the City's administration. The City has not expressed any concerns after said discussions.

Finding: (Deteriorating Financial Condition (funding deficit))

At June 30, 2018 the School had a spendable- unassigned fund balance deficit of (\$59,140). Current liabilities exceed current assets. Current assets should equal or exceed current liabilities.

As defined in Section 218.39(5)(b) indicators of a deteriorating financial condition are a fund balance deficit in total or for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit and for which sufficient resources are not available to cover the deficit.

Management response:

Although the Charter School has a spendable-unassigned fund balance deficit of (\$59,140) at June 30, 2018, management does not believe it is indicative of a deteriorating financial condition. The Charter School was in its first year of operation and required substantial capital investments. The capital investments were funded out of operations and in part by acquiring some debt. The Charter School has sufficient resources to support the needs of the School. The School anticipates maintaining enrollment and with effective management of expenses with the proposed budget, believes this condition will be remedied during the current fiscal year.