

**ACADEMIE DA VINCI CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF
PINELLAS COUNTY, FLORIDA**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS THEREON**

JUNE 30, 2019



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Academie Da Vinci Charter School, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School's total net position increased compared to the prior year.
- During fiscal year 2019, the School's revenues and the special item exceeded expenses by \$145,963, which is a decrease from the prior year when revenues exceeded expenses by 330,014.
- Overall, revenues increased by approximately \$146,000, which was a 5% increase from the prior year.
- Overall, expenses increased by approximately \$583,000, which was a 25% increase from the prior year.
- Total assets were \$5,631,666 and total liabilities were \$4,520,005, resulting in net position of \$1,111,661 as of June 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements 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 *fiduciary fund* financial statement provides information about the financial relationships in which the School acts solely as an agent for the benefit of others.

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.

This document also includes the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Fund
Scope	Entire School (except the fiduciary fund)	The activities of the School that are not proprietary or fiduciary	Instances in which the School administers resources on behalf of someone else
Required financial statements	Statement of net position Statement of activities	Balance sheet – governmental funds Statement of revenues, expenditures and changes in fund balances – governmental funds	Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, but excludes fiduciary funds. 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 two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets and deferred outflows of resources and its liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base, the quality of the education and the safety of the School.

The government-wide financial statements of the School 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 business-type activities.
- Component Units – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has two types of funds:

- Governmental Funds – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

- Fiduciary Funds – The School is the agent, or fiduciary, for assets that belong to others, such as student activities funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School excludes these activities from the government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position as of June 30, 2019 and 2018 is summarized as follows – see table below:

	Governmental Activities		Increase (Decrease)
	2019	2018	
Current and other assets	\$ 594,808	\$ 713,835	-17%
Capital assets, net	5,036,858	881,437	471%
Total assets	<u>5,631,666</u>	<u>1,595,272</u>	<u>253%</u>
Current and other liabilities	36,326	10,017	263%
Long-term liabilities	4,483,679	390,132	1049%
Total liabilities	<u>4,520,005</u>	<u>400,149</u>	<u>1030%</u>
Deferred inflows of resources	<u>-</u>	<u>229,425</u>	<u>-100%</u>
Net position:			
Net investment in capital assets	553,179	491,305	13%
Restricted	122,566	316,928	-61%
Unrestricted	<u>435,916</u>	<u>157,465</u>	<u>177%</u>
Total net position	<u>\$ 1,111,661</u>	<u>\$ 965,698</u>	<u>15%</u>

Current and other assets decreased due to the timing of cash receipts and disbursements at year end. In November 2018, the School terminated its lease and purchased its facility by entering into a note payable. The lease termination resulted in the elimination of the deferred rent liability. Capital assets, net, long-term liabilities, deferred inflows and net investment in capital assets all changed due to this transaction. The change in total net position was due to the current year operating surplus and the activity noted above.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Change in Net Position

The School's total revenues increased by 5% to \$2,813,938, and the total cost of all programs and services increased by 25% to \$2,921,234 – see table below.

	Governmental Activities		Increase (Decrease)
	2019	2018	
Revenues:			
State and local sources	\$ 2,675,308	\$ 2,560,805	4%
Contributions and other revenue	138,630	107,325	29%
Total revenues	<u>2,813,938</u>	<u>2,668,130</u>	<u>5%</u>
Expenses:			
Instruction	1,668,637	1,319,700	26%
Instructional staff training	2,353	5,902	-60%
Instruction-related technology	40,495	37,211	9%
Board	15,662	13,759	14%
General administration	34,100	84,646	-60%
School administration	338,366	294,362	15%
Fiscal services	23,998	18,695	28%
Food services	3,600	8,440	-57%
Operation and maintenance of plant	396,275	498,293	-20%
Community services	24,376	33,481	-27%
Interest	183,473	23,627	677%
Debt issuance costs	189,899	-	100%
Total expenses	<u>2,921,234</u>	<u>2,338,116</u>	<u>25%</u>
Special item - gain on elimination of deferred rent liability	<u>253,259</u>	<u>-</u>	<u>100%</u>
Change in net position	<u><u>\$ 145,963</u></u>	<u><u>\$ 330,014</u></u>	<u><u>56%</u></u>

Contributions and other revenue increased due an increase in after-school program revenue.

Instruction increased due to additional staff as the student population increased, depreciation expense allocated to the instruction function, as well as the distribution of school recognition bonuses to staff. General administration decreased as the administrative charge paid to the district decreased from 5% to 2% of FEFP revenue as the School was recognized for being high performing. School administration increased due to an increase in staffing and the distribution of school recognition bonuses to staff. Operation and of maintenance of plant, interest, debt issuance costs and the special item all changed due to the facility transaction previously discussed.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a fund balance of \$558,482. Both revenues and expenditures increased overall for the same reasons described above.

General Fund Budgetary Highlights

Over the course of the year, the School revised its budget several times to account for the changes in student enrollment and resulting increases in appropriations.

Actual general fund revenues were not significantly different from the final budget amounts.

Actual general fund expenditures were approximately \$4,200,000 above the final budget, which represents a 160% budget variance. The variance was due to the purchase of the School's facility, which was not included in the final budget. However, the additional expenditures were paid by note proceeds, which was also not included in the final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The School's investment in capital assets at the end of fiscal 2019 amounts to \$5,036,858 (net of accumulated depreciation). See table below:

	Governmental Activities		Increase
	2019	2018	(Decrease)
Land	\$ 1,333,454	\$ -	100%
Construction in progress	-	2,993	-100%
Buildings and improvements	3,867,286	937,969	312%
Furniture, fixtures and equipment	349,735	300,584	16%
Less accumulated depreciation	(513,617)	(360,109)	-43%
Total capital assets, net	<u>\$ 5,036,858</u>	<u>\$ 881,437</u>	<u>471%</u>

This year's major capital asset additions include the following:

- Land – \$1,333,000
- Buildings – \$2,925,000
- Computers, tablets, and access points – \$33,000
- Wireless microphone rack – \$8,000
- Security system and equipment – \$8,000

There were no major disposals during the current year. More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Long-term Debt

As of June 30, 2019, the School had approximately \$4,484,000 in long-term debt outstanding. This year's major addition to long-term debt was a note payable related to the purchase of the School's facility in the amount of \$4,184,800. Scheduled payments reduced the amount outstanding in the current year. More detailed information about the School's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2020:

- Projected decrease in student population
- Projected decrease in staffing
- Projected decrease in capital outlay expenditures

Amounts available for appropriation in the general fund are approximately \$2,545,000, a decrease of 4% from the final 2019 amount of \$2,640,873.

Budgeted expenditures are expected to be approximately \$2,535,000, a decrease of 167% from the final 2019 amount of \$6,776,647. Expenditures are expected to decrease overall due to a decrease in capital outlay expenditures and fewer expenditures to accommodate the decrease in the number of students the School serves.

If these estimates are realized, the School's budgetary general fund balance is expected to increase by the close of fiscal 2020.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 1060 Keene Road, Dunedin, Florida 34698.

Independent Auditor's Report on Basic Financial Statements and Supplementary Information

To the Board of Directors of Academie Da Vinci Charter School, Inc., a Charter School
and Component Unit of the District School Board of Pinellas County, Florida

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Academie Da Vinci Charter School, Inc. (the "School"), a charter school and component unit of the District School Board of Pinellas County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Academie Da Vinci Charter School, Inc. as of June 30, 2019, and the respective changes in financial position thereof 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 1 – 7 and the budgetary comparison information on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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.



Winter Park, Florida
September 23, 2019

**ACADEMIE DA VINCI CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 522,323
Accounts receivable	15,264
Other current assets	57,221
Capital assets, net	5,036,858
Total assets	\$ 5,631,666
LIABILITIES	
Accounts payable and accrued expenses	36,326
Long-term liabilities:	
Due within one year	142,012
Due in more than one year	4,341,667
Total liabilities	4,520,005
NET POSITION	
Net investment in capital assets	553,179
Restricted for capital outlay	122,566
Unrestricted	435,916
Total net position	1,111,661
Total liabilities and net position	\$ 5,631,666

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

**ACADEMIE DA VINCI CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
Instruction	\$ 1,668,637	\$ -	\$ 5,779	\$ -	\$ (1,662,858)	\$ (1,662,858)
Instructional staff training	2,353	-	-	-	(2,353)	(2,353)
Instruction-related technology	40,495	-	-	-	(40,495)	(40,495)
Board	15,662	-	-	-	(15,662)	(15,662)
General administration	34,100	-	-	-	(34,100)	(34,100)
School administration	338,366	-	-	-	(338,366)	(338,366)
Fiscal services	23,998	-	-	-	(23,998)	(23,998)
Food services	3,600	-	-	-	(3,600)	(3,600)
Operation and maintenance of plant	396,275	-	-	-	(396,275)	(396,275)
Community services	24,376	130,838	-	-	106,462	106,462
Interest	183,473	-	-	-	(183,473)	(183,473)
Debt issuance costs	189,899	-	-	-	(189,899)	(189,899)
Total primary government	<u>\$ 2,921,234</u>	<u>\$ 130,838</u>	<u>\$ 5,779</u>	<u>\$ -</u>	<u>\$ (2,784,617)</u>	<u>\$ (2,784,617)</u>
General revenues:						
State and local sources					2,669,529	2,669,529
Contributions and other revenue					7,792	7,792
Total general revenues					<u>2,677,321</u>	<u>2,677,321</u>
Special item - gain on elimination of deferred rent liability					253,259	253,259
Change in net position					145,963	145,963
Net position at beginning of year					965,698	965,698
Net position at end of year					<u>\$ 1,111,661</u>	<u>\$ 1,111,661</u>

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

**ACADEMIE DA VINCI CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 415,021	\$ 107,302	\$ 522,323
Accounts receivable	-	15,264	15,264
Other current assets	57,221	-	57,221
Total assets	\$ 472,242	\$ 122,566	\$ 594,808
LIABILITIES			
Accounts payable and accrued expenditures	\$ 36,326	\$ -	\$ 36,326
Total liabilities	36,326	-	36,326
FUND BALANCES			
Nonspendable:			
Other current assets	57,221	-	57,221
Committed:			
Capital asset purchases	73,071	-	73,071
Restricted for:			
Capital outlay	-	122,566	122,566
Unassigned	305,624	-	305,624
Total fund balances	435,916	122,566	558,482
Total liabilities and fund balances	\$ 472,242	\$ 122,566	\$ 594,808

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

**ACADEMIE DA VINCI CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2019

Total fund balances - total governmental funds	\$ 558,482
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$5,550,475, and the accumulated depreciation is \$513,617.	5,036,858
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end include:

Capital lease obligation	(23,726)
Notes payable	<u>(4,459,953)</u>

Total net position - governmental activities	<u><u>\$ 1,111,661</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**ACADEMIE DA VINCI CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
State and local sources	\$ 2,502,243	\$ 173,065	\$ 2,675,308
Contributions and other revenue	138,630	-	138,630
Total revenues	<u>2,640,873</u>	<u>173,065</u>	<u>2,813,938</u>
EXPENDITURES			
Current:			
Instruction	1,545,831	-	1,545,831
Instructional staff training	2,353	-	2,353
Instruction-related technology	40,495	-	40,495
Board	15,662	-	15,662
General administration	34,100	-	34,100
School administration	307,664	-	307,664
Facilities acquisition and construction	4,064,302	194,362	4,258,664
Fiscal services	23,998	-	23,998
Food services	3,600	-	3,600
Operation and maintenance of plant	199,377	173,065	372,442
Community services	24,376	-	24,376
Debt service:			
Principal	91,253	-	91,253
Interest	183,473	-	183,473
Debt issuance costs	189,899	-	189,899
Other capital outlay	50,264	-	50,264
Total expenditures	<u>6,776,647</u>	<u>367,427</u>	<u>7,144,074</u>
Excess of revenues over expenditures	<u>(4,135,774)</u>	<u>(194,362)</u>	<u>(4,330,136)</u>
OTHER FINANCING SOURCES AND USES			
Proceeds from note payable	4,184,800	-	4,184,800
Proceeds from refunding note payable	351,424	-	351,424
Payments on refunded note payable	(351,424)	-	(351,424)
Total other financing sources	<u>4,184,800</u>	<u>-</u>	<u>4,184,800</u>
Net change in fund balances	49,026	(194,362)	(145,336)
Fund balances at beginning of year	<u>386,890</u>	<u>316,928</u>	<u>703,818</u>
Fund balances at end of year	<u>\$ 435,916</u>	<u>\$ 122,566</u>	<u>\$ 558,482</u>

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

**ACADEMIE DA VINCI CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2019

Net changes in fund balances - total governmental funds \$ (145,336)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$4,308,928) exceed depreciation expense (\$153,508) in the current period.	4,155,420
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(4,184,800)
Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.	91,253
The gain on the termination of the deferred rent liability is reported in the statement of activities as revenue (a special item), whereas nothing is reported in the governmental funds as there were no proceeds.	253,259
Changes in deferred rent expense reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the amount by which the deferred inflows of resources changed in the current period.	<u>(23,833)</u>
Change in net position of governmental activities	<u><u>\$ 145,963</u></u>

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

**ACADEMIE DA VINCI CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2019

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 24,458
Total assets	<u>\$ 24,458</u>
LIABILITIES	
Due to others	\$ 24,458
Total liabilities	<u>\$ 24,458</u>

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

**ACADEMIE DA VINCI CHARTER SCHOOL, INC.
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DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Academie Da Vinci Charter School, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of ten members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Pinellas County, Florida (the "School Board"). The current charter is effective until June 30, 2025 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education ("FDOE") to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Basis of Presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, but excludes fiduciary funds. 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 government-wide financial statements of the School 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 business-type activities.
- Component Units – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay and local capital improvement funds.

For purposes of these statements, the general and capital projects funds are considered major funds. There are no other governmental funds.

Fiduciary Fund:

- Agency Fund – to account for school internal funds, which are established to record the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The School retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and fiduciary fund financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current year or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

Cash and Cash Equivalents

Investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents. The School maintains its cash accounts in a financial institution subject to insurance coverage issued by the Federal Deposit Insurance Corporation (the "FDIC"). Under FDIC rules, the School is entitled to aggregate coverage of \$250,000 per account type per separate legal entity per financial institution. As of June 30, 2019, the School had deposits in a financial institution with custodial credit risk exposure in excess of FDIC coverage totaling approximately \$262,000. The School has not historically experienced losses on its cash and cash equivalents.

Receivables

Receivables consist of amounts due from governmental agencies for capital outlay. Allowances are reported when management estimates that accounts may be uncollectible.

Capital Assets and Depreciation

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

recorded at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Buildings and building improvements	7 - 39
Furniture, fixtures and equipment	5 -10

Information relative to changes in capital assets is described in Note 3.

Long-term Liabilities

Long-term obligations that will be financed by resources to be received in the future by the governmental funds are reported in the government-wide financial statements, not in the governmental funds. Information relative to changes in long-term liabilities is described in Note 5.

Deferred Rent

Rent expense on non-cancelable leases containing known future scheduled rent increases or rent holidays are recorded on a straight-line basis over the term of the respective leases. The excess of rent expense over rent paid is accounted for as deferred rent, which is included as deferred inflows of resources in the accompanying financial statements.

Fund Balance Spending Policy

The School's adopted spending policy is to spend from the restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Directors. The Board of Directors has delegated authority to the Principal to assign funds up to the amount of \$3,000. There are no minimum fund balance requirements for any of the School's funds.

Revenue Sources

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the FDOE by the state legislature. 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 students and related data to the School Board.

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(continued)**

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the 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 School during the designated full-time equivalent student survey periods. The School Board receives a 2% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statements. This administrative fee is calculated on the FEFP revenue up to 250 students.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net position and restricted fund balance in the accompanying financial statements.

Income Taxes

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service ("IRS") or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the School's financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same "more likely than not" measurement threshold.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the statement of net position and the balance sheet – governmental funds and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Subsequent Events

The School has evaluated subsequent events through September 23, 2019, the date these financial statements were available to be issued.

Recently Issued Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The new standard is effective for the fiscal year ending June 30, 2020. The cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this guidance, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about a school's leasing activities. The new standard is effective for the fiscal year ending June 30, 2021. The cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

2 OTHER CURRENT ASSETS

Other current assets consist of the following as of June 30, 2019:

Prepaid expenses	\$ 46,410
Other assets	<u>10,811</u>
Total other current assets	<u><u>\$ 57,221</u></u>

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

3 CHANGES IN CAPITAL ASSETS

Capital asset activity during fiscal year 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ 1,333,454	\$ -	\$ 1,333,454
Construction in progress	2,993	1,114	(4,107)	-
Total capital assets not being depreciated	<u>2,993</u>	<u>1,334,568</u>	<u>(4,107)</u>	<u>1,333,454</u>
Capital assets being depreciated:				
Buildings and improvements	937,969	2,929,317	-	3,867,286
Furniture, fixtures and equipment	300,584	49,151	-	349,735
Total capital assets being depreciated	<u>1,238,553</u>	<u>2,978,468</u>	<u>-</u>	<u>4,217,021</u>
Less accumulated depreciation for:				
Buildings and improvements	(172,939)	(105,866)	-	(278,805)
Furniture, fixtures and equipment	(187,170)	(47,642)	-	(234,812)
Total accumulated depreciation	<u>(360,109)</u>	<u>(153,508)</u>	<u>-</u>	<u>(513,617)</u>
Capital assets being depreciated, net	<u>878,444</u>	<u>2,824,960</u>	<u>-</u>	<u>3,703,404</u>
Governmental activities capital assets, net	<u>\$ 881,437</u>	<u>\$ 4,159,528</u>	<u>\$ (4,107)</u>	<u>\$ 5,036,858</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 122,806
School administration	<u>30,702</u>
Total governmental activities depreciation expense	<u>\$ 153,508</u>

4 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

money received may be required and collectibility of any related receivable as of June 30, 2019 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal Matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

Risk Management Program

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

Employee Benefit Plan

The School sponsors the Academie Da Vinci Charter School, Inc. 403(b) Plan (the "Plan"), which is a defined contribution plan. The Plan operates under Section 403(b) of the Internal Revenue Code. Substantially all employees may contribute up to an annual maximum of pretax annual compensation, as defined in the Plan. Under the terms of the Plan, the School contributes a 3% matching contribution for all eligible employees that contribute a minimum of \$25 per month to the Plan as authorized by the Board of Directors. The School's contributions during fiscal year 2019 totaled approximately \$27,000, of which approximately \$21,000 is included in instruction and approximately \$6,000 is included in school administration in the accompanying financial statements.

Operating Leases

The School leased its facility under a non-cancelable operating lease. The lease included renewal options for two additional terms of five years each and required the School to pay insurance and other costs. In November 2018, the School terminated the lease and purchased the facility. The lease termination resulted in a \$253,259 gain due to the elimination of the deferred rent liability. This gain is included in the financial statements as the special item.

Lease expense totaled approximately \$177,000 during fiscal year 2019, of which approximately \$5,000 is included in school administration and approximately \$172,000 is included in operation and maintenance of plant in the accompanying financial statements, except that lease expense included in operation and maintenance of plant in the accompanying statement of revenues, expenditures and changes in fund balances – governmental funds has been reduced by approximately \$24,000 due to the amortization of deferred rent.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

5 LONG-TERM LIABILITIES

Long-term liabilities activity during fiscal year 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital lease	\$ 27,105	\$ -	\$ (3,379)	\$ 23,726	\$ 4,338
Notes payable	363,027	4,536,224	(439,298)	4,459,953	137,674
Governmental activities, long-term liabilities	<u>\$ 390,132</u>	<u>\$4,536,224</u>	<u>\$ (442,677)</u>	<u>\$4,483,679</u>	<u>\$ 142,012</u>

Capital Lease

The School leases copiers under a lease agreement that is classified as a capital lease. The capital lease agreement requires monthly payments of principal plus interest at 25%. The economic substance of the lease is that the School is financing the acquisition of the assets through the leases, and, accordingly, they are recorded in the School's statement of net position.

Leased assets as of June 30, 2019 consist of the following:

	<u>Governmental Activities</u>
Furniture, fixtures and equipment	\$ 46,488
Less accumulated depreciation	(33,064)
	<u>\$ 13,424</u>

Future debt service requirements related to the capital lease are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,338	\$ 5,512	\$ 9,850
2021	5,570	4,281	9,851
2022	7,151	2,699	9,850
2023	6,667	721	7,388
Total	<u>\$ 23,726</u>	<u>\$ 13,213</u>	<u>\$ 36,939</u>

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Notes Payable

Notes payable consisted of the following as of June 30, 2019:

Promissory note payable to a financial institution. Principal and interest payments of \$31,035 are due monthly at an interest rate of 6.34%. The final principal and interest payment is due in November 2028 in the amount of \$2,757,717. Note is secured by the School's facility. Subject to certain covenants. \$ 4,123,570

Promissory note payable to a financial institution. Principal and interest payments of \$3,946 are due monthly at an interest rate of 6.16%. Matures in November 2028. Note is secured by the School's facility. Subject to certain covenants. 336,383

Total notes payable	4,459,953
Less amount due within one year	<u>(137,674)</u>
Amount due in more than one year	<u><u>\$ 4,322,279</u></u>

Future debt service requirements related to the notes payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 137,674	\$ 274,616	\$ 412,290
2021	146,530	274,980	421,510
2022	156,183	265,440	421,623
2023	166,472	255,270	421,742
2024	177,438	244,430	421,868
2025 - 2028	<u>3,675,656</u>	<u>919,545</u>	<u>4,595,201</u>
Total	<u><u>\$ 4,459,953</u></u>	<u><u>\$ 2,234,281</u></u>	<u><u>\$ 6,694,234</u></u>

In connection with the note payable above, the School entered into a credit enhancement agreement with Charter Schools Development Corporation who provided \$625,000 in cash to the financial institution as additional security for the School's obligation pursuant to the note payable. The credit enhancement will be released annually over a five year period ending in 2023.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

6 RESTRICTED NET POSITION AND FUND BALANCE

Restricted net position and fund balance represents amounts that have been collected or are receivable by the School for specific purposes, which are restricted as to the use of such funds. Included in the restricted fund balance is \$122,566 in the capital projects fund as of June 30, 2019. This balance represents the unspent portion of capital outlay funds, which must be used for lawful capital outlay expenditures.

7 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

The following is a schedule of state and local revenue sources and amounts:

District School Board of Pinellas County, Florida:	
Florida Education Finance Program	\$ 1,564,315
Class size reduction	402,934
Discretionary local effort	214,510
Capital outlay	173,065
Supplemental academic instruction	85,612
ESE guaranteed allocation	72,566
School recognition funds	31,904
Instructional materials	26,979
Best and brightest	26,838
Safe schools	22,263
Reading allocation	15,000
Mental health assistance allocation	8,227
Teacher lead	7,200
Campus safety and security grant	7,063
Digital classrooms allocation	6,263
Declining enrollment	3,605
Discretionary lottery funds	1,185
Total	\$ 2,669,529

The administrative fee paid to the School Board during fiscal 2019 totaled approximately \$34,000, which is reflected as a general administration expense/expenditure in the accompanying financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget-</u>
			<u>Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
State and local sources	\$ 2,385,500	\$ 2,502,243	\$ 2,502,243	\$ -
Contributions and other revenue	90,040	138,407	138,630	223
Total revenues	<u>2,475,540</u>	<u>2,640,650</u>	<u>2,640,873</u>	<u>223</u>
EXPENDITURES				
Current:				
Instruction	1,472,025	1,547,480	1,545,831	1,649
Instructional staff training	5,000	2,400	2,353	47
Instruction-related technology	39,000	40,500	40,495	5
Board	18,700	15,740	15,662	78
General administration	-	34,100	34,100	-
School administration	303,860	309,555	307,664	1,891
Facilities acquisition and construction	-	-	4,064,302	(4,064,302)
Fiscal services	22,500	24,200	23,998	202
Food services	3,600	3,600	3,600	-
Operation and maintenance of plant	378,792	225,410	199,377	26,033
Community services	74,975	25,170	24,376	794
Debt service:				
Principal	38,130	-	91,253	(91,253)
Interest	16,650	185,180	183,473	1,707
Debt issuance costs	-	189,900	189,899	1
Other capital outlay	-	-	50,264	(50,264)
Total expenditures	<u>2,373,232</u>	<u>2,603,235</u>	<u>6,776,647</u>	<u>(4,173,412)</u>
Excess of revenues over expenditures	<u>102,308</u>	<u>37,415</u>	<u>(4,135,774)</u>	<u>(4,173,189)</u>
OTHER FINANCING SOURCES AND USES				
Proceeds from notes payable	-	-	4,184,800	4,184,800
Proceeds from refunding note payable	-	-	351,424	351,424
Payments on refunded note payable	-	-	(351,424)	(351,424)
Total other financing sources	<u>-</u>	<u>-</u>	<u>4,184,800</u>	<u>4,184,800</u>
Net change in fund balance	102,308	37,415	49,026	11,611
Fund balance at beginning of year	386,890	386,890	386,890	-
Fund balance at end of year	<u>\$ 489,198</u>	<u>\$ 424,305</u>	<u>\$ 435,916</u>	<u>\$ 11,611</u>

See independent auditor's report.

**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of Academie Da Vinci Charter School, Inc., a Charter School
and Component Unit of the District School Board of Pinellas County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Academie Da Vinci Charter School, Inc. (the “School”) as of and for the year ended June 30, 2019, 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 23, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Winter Park, Florida
September 23, 2019

**ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE AUDITOR GENERAL,
CHAPTER 10.850**

To the Board of Directors of Academie Da Vinci Charter School, Inc., a Charter School
and Component Unit of the District School Board of Pinellas County, Florida

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Academie Da Vinci Charter School, Inc. (the "School"), a charter school and component unit of the District School Board of Pinellas County, Florida, as of and for the year ended June 30, 2019, and have issued our report thereon dated September 23, 2019.

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 Chapter 10.850, Rules of the Auditor General.

OTHER REPORTING REQUIREMENTS

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 23, 2019, 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 and recommendations in the preceding annual financial audit report.

OFFICIAL TITLE

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity is Academie Da Vinci Charter School, Inc., and the school code assigned by the Florida Department of Education is 7131.

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 or not 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 Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The financial condition assessment was done as of the fiscal year-end.

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 not have any such recommendations.

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 the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website 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 which 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, the Board of Trustees, applicable management and the District School Board of Pinellas County, Florida and is not intended to be, and should not be, used by anyone other than these specified parties.



Winter Park, Florida
September 23, 2019