

International School of Excellence, Inc.
d/b/a Avant Garde Academy Westchase
(A Component Unit of the School Board of
Hillsborough County, Florida)

Basic Financial Statements
and Additional Information
For the Year Ended June 30, 2019

**International School of Excellence
d/b/a Avant Garde Academy Westchase**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
International School of Excellence, Inc.
d/b/a Avant Garde Academy Westchase
Hillsborough County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase (the "School"), a component unit of the School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2019, 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 and each major fund of the School, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 23, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase (the "School"), a component unit of the School Board of Hillsborough County, Florida, we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2019 and certain comparative information for 2018.

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

Financial Highlights

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

- As of June 30, 2019, the School's fund balance (deficit) was \$ (28,327).
- As of June 30, 2019, the School had a net position (deficit) of \$ (366,719).

Overview of the Financial Statements

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

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the School's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and services rendered but unpaid).

The government-wide financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide financial statements can be found on pages 8 and 9 of this report.

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 School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide 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 School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

The governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to Basic Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 14 through 22 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statements of net position as of June 30, 2019 and 2018:

International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase
Management's Discussion and Analysis
June 30, 2019

International School of Excellence, Inc.
d/b/a Avant Garde Academy Westchase
Net Position

	June 30, 2019	June 30, 2018
Assets:		
Current assets	\$ 110,918	\$ 92,728
Noncurrent assets	<u>562,588</u>	<u>216,138</u>
Total assets	<u>673,506</u>	<u>308,866</u>
Liabilities:		
Current liabilities	711,607	698,783
Noncurrent liabilities	<u>328,618</u>	<u>493,448</u>
Total liabilities	<u>1,040,225</u>	<u>1,192,231</u>
Net Position:		
Net investment in capital assets	155,056	206,138
Unrestricted (deficit)	<u>(521,775)</u>	<u>(1,089,503)</u>
Total net position (deficit)	\$ <u><u>(366,719)</u></u>	\$ <u><u>(883,365)</u></u>

Governmental Activities: The results of this year's operations for the School as a whole are reported in the statement of activities on page 8. The table below provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2019 and 2018:

International School of Excellence, Inc.
d/b/a Avant Garde Academy Westchase
Change in Net Position

	June 30, 2019	June 30, 2018
Revenues:		
General revenues	\$ 3,989,169	\$ 2,630,683
Program revenues	<u>529,311</u>	<u>205,188</u>
Total revenues	<u>4,518,480</u>	<u>2,835,871</u>
Functions/Program Expenses:		
Instruction	1,542,089	1,949,693
Instructional support services	939,028	784,395
Non-instructional services	<u>1,520,717</u>	<u>1,103,340</u>
Total expenses	<u>4,001,834</u>	<u>3,837,428</u>
Change in net position	\$ <u><u>516,646</u></u>	\$ <u><u>(1,001,557)</u></u>

**International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase
Management’s Discussion and Analysis
June 30, 2019**

General revenues mostly consist of the School’s per pupil funding, as well as other income items, including forgiveness of management fees and rent, as described in Notes 7 and 8. Program revenues consist of Charter School Program funding of \$ 295,297, National School Lunch Program revenues of \$ 38,899, State and Local Capital Outlay Funding of \$ 188,562 and other revenues from charges for services. Total expenses for the year are \$ 4,001,834 mainly consisting of instructional, instructional support services and rent expense.

Governmental Fund Expenditures

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

Functions/Programs	2019		2018	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 1,553,364	32%	\$ 1,956,842	47%
Facilities acquisition and construction and rent	1,554,107	32%	825,500	20%
Plant operations and maintenance	378,973	8%	206,321	5%
Administrative services	242,625	5%	428,152	10%
All other functions/programs	1,084,091	23%	740,485	18%
Total governmental expenditures	\$ 4,813,160	100%	\$ 4,157,300	100%

Capital Assets and Debt Administration

Capital assets: At June 30, 2019, the School had capital assets of \$ 547,418, net of accumulated depreciation, invested in leasehold improvements and furniture, fixtures and equipment, as compared to \$ 206,138 and June 30, 2018.

Debt: At June 30, 2019, the School had outstanding debt of \$ 885,810, as compared to \$ 860,881 at June 30, 2018. Additional information on the School’s debt can be found in Note 5.

General Fund Budgetary Highlights

The final School enrollment was at approximately 98% of capacity. The School had an original general fund budget based on revenue of approximately \$ 4.3 million, and budget driven expenses of approximately \$ 3.9 million. Actual revenue was approximately \$ 278,000 lower, mostly due to state capital outlay per pupil revenues decreasing from expected amounts and lower than expected enrollment. However, the school’s expenses were \$ 421,000 higher than budget. Overall, the School ended the year with a change in fund balance that was approximately \$ 204,000 unfavorable to the budget.

Economic Factors and Next Year’s Budget

For fiscal year 2019-2020, expected enrollment will increase to 420 students in grades K-8, a FEFP revenue increase of approximately \$ 200,000 over the prior year. Capital outlay revenue was assumed at \$ 500 per student which includes the additional funds associated with House Bill 7055. The budgets reflect the Florida Education Finance Program funding increase of approximately 1%. A 2% to 3% merit increase for all staff was budgeted as well as safety initiatives for security resource officers.

All other expenditures are budgeted in alignment with enrollment changes and the School's strategic objectives. Rent for the upcoming fiscal year has been negotiated down to approximately \$175,000 for the year and the school will continue to service all capital debt, leading to an expected further reduction of the net deficit position by fiscal year end.

Requests for Information

If you have questions about this report or need additional information, please contact the Director, International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase, 13901 Sheldon Road, Tampa, FL 33626.

BASIC
FINANCIAL STATEMENTS

International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase
Statement of Net Position
June 30, 2019

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ <u>110,918</u>
Total current assets	<u>110,918</u>
Noncurrent Assets:	
Deposits	15,170
Capital assets (depreciable), net of accumulated depreciation	<u>547,418</u>
Total noncurrent assets	<u>562,588</u>
Total assets	<u>673,506</u>
Current Liabilities:	
Accounts payable	55,092
Accrued liabilities	99,323
Current portion of long-term debt	<u>557,192</u>
Total current liabilities	<u>711,607</u>
Noncurrent Liabilities:	
Notes payable	<u>328,618</u>
Total noncurrent liabilities	<u>328,618</u>
Total liabilities	<u>1,040,225</u>
Net Position:	
Net investment in capital assets	155,056
Unrestricted (deficit)	<u>(521,775)</u>
Total net position (deficit)	\$ <u><u>(366,719)</u></u>

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

International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase
Statement of Activities
For the Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Activities Net Revenue (Expense) and Change in Net Position</u>
Functions/Programs:					
Instruction	\$ 1,542,089	\$ -	\$ 295,297	\$ -	\$ (1,246,792)
Instructional support services	11,792	-	-	-	(11,792)
Board services	1,013	-	-	-	(1,013)
General administration -					
District administrative fee	86,705	-	-	-	(86,705)
Administrative services	234,587	-	-	-	(234,587)
Facilities rent	1,125,000	-	-	188,562	(936,438)
Fiscal services	230,874	-	-	-	(230,874)
Food services	126,735	6,553	38,899	-	(81,283)
Central services	518	-	-	-	(518)
Student transportation	85,985	-	-	-	(85,985)
Operation of plant	269,553	-	-	-	(269,553)
Maintenance of plant	118,063	-	-	-	(118,063)
Community service	5,090	-	-	-	(5,090)
Interest and other debt service costs	163,830	-	-	-	(163,830)
Total governmental activities	<u>\$ 4,001,834</u>	<u>\$ 6,553</u>	<u>\$ 334,196</u>	<u>\$ 188,562</u>	<u>(3,472,523)</u>
General revenues:					
Grants and entitlements					2,729,526
Miscellaneous					1,259,643
Total general revenues					<u>3,989,169</u>
Change in net position					516,646
Net position (deficit), July 1, 2018					<u>(883,365)</u>
Net position (deficit), June 30, 2019					<u>\$ (366,719)</u>

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

International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase
 Balance Sheet - Governmental Funds
 June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 110,918	\$ -	\$ -	\$ 110,918
Deposits	<u>15,170</u>	<u>-</u>	<u>-</u>	<u>15,170</u>
Total assets	<u>\$ 126,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,088</u>
Liabilities:				
Accounts payable	\$ 55,092	\$ -	\$ -	\$ 55,092
Accrued liabilities	<u>99,323</u>	<u>-</u>	<u>-</u>	<u>99,323</u>
Total liabilities	<u>154,415</u>	<u>-</u>	<u>-</u>	<u>154,415</u>
Fund Balances:				
Nonspendable:				
Deposits	15,170	-	-	15,170
Unassigned (deficit)	<u>(43,497)</u>	<u>-</u>	<u>-</u>	<u>(43,497)</u>
Total fund balances (deficit)	<u>(28,327)</u>	<u>-</u>	<u>-</u>	<u>(28,327)</u>
Total liabilities and fund balances	<u>\$ 126,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,088</u>

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

International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
June 30, 2019

Total Fund Balances (Deficit) - Governmental Funds \$ (28,327)

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

The cost of capital assets acquired is reported as an expenditure in the governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation, among the assets of the School as a whole.

Cost of capital assets	\$	658,489	
Accumulated depreciation		<u>(111,071)</u>	547,418

Liabilities not payable with current available resources are not reported as fund liabilities in the governmental fund statements. All liabilities both current and long-term, are reported in the government-wide statements.

Notes payable	\$	<u>(885,810)</u>	<u>(885,810)</u>
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Net Position (Deficit) of Governmental Activities \$ (366,719)

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

International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019

	<u>Account</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues:					
Federal through state and local State sources:	3200	\$ -	\$ 334,196	\$ -	\$ 334,196
Florida Education Finance Program	3310	2,729,526	-	-	2,729,526
State capital outlay and debt service	3320	-	-	188,562	188,562
Local and other revenue	3490	1,259,643	6,553	-	1,266,196
Total revenues		<u>3,989,169</u>	<u>340,749</u>	<u>188,562</u>	<u>4,518,480</u>
Expenditures:					
Instruction	5000	1,246,275	295,297	-	1,541,572
Instructional support services	6000	11,792	-	-	11,792
Board services	7100	1,013	-	-	1,013
General administration - District administrative fee	7200.30	86,705	-	-	86,705
Administrative services	7300	155,920	-	-	155,920
Facilities acquisition and construction	7400	240,545	-	188,562	429,107
Facilities acquisition and construction - facilities rent	7400.36	1,125,000	-	-	1,125,000
Fiscal services	7500	230,874	-	-	230,874
Food services	7600	81,283	45,452	-	126,735
Central services	7700	518	-	-	518
Student transportation	7800	85,985	-	-	85,985
Operation of plant	7900	269,553	-	-	269,553
Maintenance of plant	8100	109,420	-	-	109,420
Community service	9100	5,090	-	-	5,090
Debt service:					
Principal	9200	470,046	-	-	470,046
Interest and other debt service costs	9200	163,830	-	-	163,830
Total expenditures		<u>4,283,849</u>	<u>340,749</u>	<u>188,562</u>	<u>4,813,160</u>
Excess (deficiency) of revenues over expenditures		<u>(294,680)</u>	<u>-</u>	<u>-</u>	<u>(294,680)</u>
Other Financing Sources:					
Proceeds from note payable	3700	494,975	-	-	494,975
Net change in fund balances		200,295	-	-	200,295
Fund Balances (Deficit), July 1, 2018		<u>(228,622)</u>	<u>-</u>	<u>-</u>	<u>(228,622)</u>
Fund Balances (Deficit), June 30, 2019		<u><u>\$ (28,327)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (28,327)</u></u>

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

**International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of the
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2019**

Net Change in Fund Balances - Governmental Funds \$ 200,295

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, these costs are allocated over their estimated useful lives as a provision for depreciation.

Cost of capital assets	\$	429,107	
Provision for depreciation		<u>(87,827)</u>	341,280

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Proceeds from note payable			(494,975)
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Principal payments on long-term debt are reported as expenditures in governmental funds, but as a reduction of long-term liabilities in the statement of net position.

			<u>470,046</u>
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Change in Net Position of Governmental Activities \$ 516,646

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

Note 1 - Organization and Operations

The International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase ("School"), a component unit of the School Board of Hillsborough County, Florida, is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The School was established in 2017 as a public charter school to serve students from kindergarten to eighth grade in Hillsborough County. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members. There were an average of 392 students enrolled for the 2018/2019 school year.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring School Board of Hillsborough County (the "School Board"). The current charter is effective until June 30, 2022 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 Board may choose not to renew the charter under grounds specified in the charter in which case the Board is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the Board may also terminate the charter if good cause is shown. The School is considered a component unit of the School Board of Hillsborough County.

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

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

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

Government-wide financial statements: Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Note 2 - Summary of Significant Accounting Policies (continued)

Fund financial statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

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

Special Revenue Fund - This fund is used to account for federal grants and the School's food service operations.

Capital Projects Fund - This fund is used to account for the acquisition of capital assets and related expenditures with restricted capital outlay funds.

Basis of accounting: Basis of accounting refers to when revenues and expenditures, or expenses, 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 financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become 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 pay liabilities of the current period. The School considers revenues to be available if they are collected within sixty days of the end of the current period. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash and cash equivalents: The School considers all demand accounts and money market funds which are not subject to withdrawal restrictions to be cash and cash equivalents. The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk (Note 3).

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue recognition: Student funding is provided by the State of Florida through the School Board. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements. This funding is received on a prorata basis over the ten month period the School is in session and is adjusted for changes in full-time equivalent (FTE) student population.

Capital assets: Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with an initial cost of \$ 750 and useful life of over one year. Donated capital assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related fixed assets. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Leasehold improvements	15 years
Furniture, fixtures and equipment	3-5 years

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

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

Income taxes: The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to financial statements.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budget: An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements.

Date of management review: Subsequent events were evaluated by management through September 23, 2019, which is the date the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

At June 30, 2019, the carrying amount of the deposits and cash on hand totaled \$ 110,918, with bank balances of \$ 127,111.

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

Note 4 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2019 are as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets, depreciable:				
Leasehold improvements	\$ 128,673	\$ 7,728	\$ -	\$ 136,401
Furnitures, fixtures and equipment	<u>100,709</u>	<u>421,379</u>	<u>-</u>	<u>522,088</u>
 Total capital assets, depreciable	 <u>229,382</u>	 <u>429,107</u>	 <u>-</u>	 <u>658,489</u>
Accumulated depreciation:				
Leasehold improvements	10,224	8,643	-	18,867
Furnitures, fixtures and equipment	<u>13,020</u>	<u>79,184</u>	<u>-</u>	<u>92,204</u>
 Total accumulated depreciation	 <u>23,244</u>	 <u>87,827</u>	 <u>-</u>	 <u>111,071</u>
 Net capital assets	 <u>\$ 206,138</u>	 <u>\$ 341,280</u>	 <u>\$ -</u>	 <u>\$ 547,418</u>

Provision for depreciation was charged to governmental activities as follows:

Administrative services	\$ 78,667
Maintenance of plant	8,643
Instruction	<u>517</u>
Total	<u>\$ 87,827</u>

International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase
Notes to Basic Financial Statements
June 30, 2019

Note 5 - Notes Payable

The School previously entered into a promissory note payable for \$ 1,098,980 for certain startup costs. Principal and interest at a fixed rate of 8.00% are payable in monthly installments of \$ 35,252 through October 2020. The outstanding balance at June 30, 2019 was \$ 493,448.

During the current year, the School entered into a note payable in the amount of \$ 494,975. Principal and interest at a fixed rate of 8.00% are payable in monthly installments of \$ 15,408 through October 2021. The outstanding balance at June 30, 2019 was \$ 392,362.

Future minimum payments at June 30, 2019 are approximately as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 557,192	\$ 50,728	\$ 607,920
2021	260,000	13,571	273,571
2022	68,618	1,014	69,632
	<u>\$ 885,810</u>	<u>\$ 65,313</u>	<u>\$ 951,123</u>

Changes in the School's notes payable for the fiscal year ended June 30, 2019, are as follows:

	<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2019</u>	<u>Amount Due Within One Year</u>
Note payable - Cencor Capital	\$ 860,881	\$ -	\$ 367,433	\$ 493,448	\$ 397,930
Note payable - Cencor Capital	<u>-</u>	<u>494,975</u>	<u>102,613</u>	<u>392,362</u>	<u>159,262</u>
	<u>\$ 860,881</u>	<u>\$ 494,975</u>	<u>\$ 470,046</u>	<u>\$ 885,810</u>	<u>\$ 557,192</u>

Note 6 - Deficit Fund Balance and Deficit Net Position

The School reported a total deficit General Fund balance and a total deficit net position balance of \$ 366,719 and \$ 28,327, respectively, at June 30, 2019. Although the Charter School had deficit balances at June 30, 2019, the School's board, through its related entities has resources to supplement the deficit on an as needed basis and will continue to do so, if necessary. The Charter School was in its second year of operation and required substantial capital investments. In addition, the 2019-2020 school year, the school has increased enrollment and will continue operations according to a plan which includes controlling its expenses, thereby eliminating the deficit balances. These efforts have benefitted the School as it recognized a reduction in its net position deficit and fund balance deficit by \$ 516,646 and \$ 200,295, respectively over the course of only one school year.

Note 7 - Operating Agreement

The School previously entered into a contract for the period July 2016 to June 30, 2022 with Alliance Education Services, Inc. ("Alliance"). The contract calls for Alliance to provide the School with support during the initial planning year and general management of the day-to-day educational and operational aspects of the School. An annual fee of 6% of the total revenues is to be paid in monthly installments. The total amount incurred during the year ended June 30, 2019, relating to this contract was \$ 200,575.

Contribution: In the 2018-19 fiscal year, Alliance agreed to forgive current year fees of \$ 200,575. Forgiveness of management fees of \$ 200,575 is included within the local and other revenue in the statement of activities and statement of revenues, expenditures and changes in fund balance - governmental funds.

Note 8 - Facility Lease

The School previously entered into a lease agreement for its educational facility through July 31, 2042. The lease calls for initial monthly base rent payments of \$ 66,125 with annual increases. Lease terms also require rent premium payments for students in excess of a base numbers per school year. Net rental expenditures under the lease for the year ended June 30, 2019 totaled \$ 1,125,000.

Contribution: In the 2018-19 fiscal year, the landlord agreed to forgive current year rental expenditures of \$ 975,000. Forgiveness of rent of \$ 975,000 is included within the local and other revenue in the statement of activities and statement of revenues, expenditures and changes in fund balance - governmental funds.

The approximate total future minimum payments for the years ended June 30, are as follows:

Fiscal Year Ending June 30,	Facilities
2020	\$ 1,305,000
2021	1,448,000
2022	1,604,000
2023	1,716,000
2024	1,789,000
2025-2029	9,511,000
2030-2034	10,501,000
2035-2039	11,594,000
2040-2043	<u>7,741,000</u>
Total minimum lease payments	<u>\$ 47,209,000</u>

Note 9 - Schedule of State Revenue Sources

The following is a schedule of the School’s state revenue for the year ended June 30, 2019:

Florida Education Finance Program	\$ 1,749,363
Class size reduction	473,281
Capital outlay	188,562
Discretionary local effort	130,916
Supplementary academic instruction	90,717
ESE guarantee	85,385
Discretionary millage	68,512
Instructional materials	29,957
Transportation	20,302
Safe schools	17,946
Reading allocation	16,534
Best and brightest scholarship program	10,475
Mental health	8,750
Compression allocation	7,370
Florida teachers classroom supply	6,528
Security grant	6,400
Digital classroom allocation	5,765
Discretionary lottery	<u>1,325</u>
	<u>\$ 2,918,088</u>

As provided in the School’s contract, the District has charged the School an administrative fee totaling \$ 86,705.

Note 10 - Florida Education Finance Program (FEFP) Funding

The basic amount of funding through the FEFP under Section 1011.62 is the product of (1) the School’s unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the 2018/2019 school year, the School reported 392 unweighted FTE. Weighted funding represented approximately 6% of total state funding.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC)
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC)
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC)
- Evaluation and planning documents for weighted programs (Sections 1011.62(1)(e), FS, and Rule 6A-6.03411, FAC).

Note 11 - Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies including, but not limited to, general liability and errors and omissions insurance. There have been no claims in excess of insurance coverage limits during the past year and settlement amounts have not exceeded insurance coverage for the current year or three prior years.

International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	<u>Account</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State sources:				
State sources:				
Florida Education Finance Program	3310	\$ 4,230,050	\$ 2,729,526	\$ (1,500,524)
Local and other revenue	3490	<u>37,200</u>	<u>1,259,643</u>	<u>1,222,443</u>
Total revenues		<u>4,267,250</u>	<u>3,989,169</u>	<u>(278,081)</u>
Expenditures:				
Instruction	5000	1,636,568	1,246,275	390,293
Instructional support services	6000	183,075	11,792	171,283
Board services	7100	-	1,013	(1,013)
General administration -				
District administrative fee	7200.30	88,126	86,705	1,421
Administrative services	7300	361,300	155,920	205,380
Facilities acquisition and construction	7400	100,084	240,545	(140,461)
Facilities acquisition and construction - facilities rent	7400.36	96,000	1,125,000	(1,029,000)
Fiscal services	7500	266,515	230,874	35,641
Food services	7600	52,592	81,283	(28,691)
Central services	7700	-	518	(518)
Student transportation	7800	180,000	85,985	94,015
Operation of plant	7900	246,200	269,553	(23,353)
Maintenance of plant	8100	32,038	109,420	(77,382)
Community service	9100	-	5,090	(5,090)
Debt service:				
Principal	9200	475,000	470,046	4,954
Interest and other debt service costs	9200	<u>145,000</u>	<u>163,830</u>	<u>(18,830)</u>
Total expenditures		<u>3,862,498</u>	<u>4,283,849</u>	<u>(421,351)</u>
Excess (deficiency) of revenues over expenditures		404,752	(294,680)	(699,432)
Other Financing Sources (Uses):				
Proceeds from note payable	3700	<u>-</u>	<u>494,975</u>	<u>494,975</u>
Net change in fund balance		<u>\$ 404,752</u>	<u>\$ 200,295</u>	<u>\$ (204,457)</u>

International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase
 Budgetary Comparison Schedule- Special Revenue Fund
 For the Year Ended June 30, 2019

	<u>Account</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Federal through state and local	3200	\$ 295,000	\$ 334,196	\$ 39,196
Local and other revenue	3490	-	6,553	6,553
		<u>295,000</u>	<u>340,749</u>	<u>45,749</u>
Total revenues		<u>295,000</u>	<u>340,749</u>	<u>45,749</u>
Expenditures:				
Instruction	5000	295,000	295,297	(297)
Food services	7600	-	45,452	(45,452)
		<u>295,000</u>	<u>340,749</u>	<u>(45,749)</u>
Total expenditures		<u>295,000</u>	<u>340,749</u>	<u>(45,749)</u>
Net change in fund balance		\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

OTHER INDEPENDENT
AUDITOR'S REPORTS

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

To the Board of Directors
International School of Excellence, Inc.
d/b/a Avant Garde Academy Westchase
Hillsborough 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 International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase (the "School"), a component unit of the School Board of Hillsborough 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, 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. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 23, 2019

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
International School of Excellence, Inc.
d/b/a Avant Garde Academy Westchase
Hillsborough County, Florida

Report on the Financial Statements

We have audited the financial statements International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase (the "School"), a component unit of the School Board of Hillsborough 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

Other 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 the 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. Since this is the initial year of operations, there were no recommendations made in the preceding audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that 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 and the school code assigned by the Florida Department of Education of the entity is International School of Excellence, Inc. d/b/a Avant Garde Academy Westchase and 297811.

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.

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 Directors and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 23, 2019