



Bright Futures Academy Charter School, Inc.
W/L# 3385

Palm Beach Gardens, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2019

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Bright Futures Academy Charter School, Inc.

W/L# 3385

10350 Riverside Drive
Palm Beach Gardens, Florida 33410

2018-2019

BOARD OF DIRECTORS

Lawrence Larmer, Board Chair
Fhelt Brown, Vice-Chair
Irma Vicuna, Director & Parent Liason
Devon Lewis-Buchanan
Reginald Maton, resigned effective June 30, 2019
Carolyn Taylor

SCHOOL ADMINISTRATION

Ashley Slone, Principal, until October 22, 2018
Henry Di Giacinto, CEO, effective September 13, 2018



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bright Futures Academy Charter School, Inc.
Palm Beach Gardens, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bright Futures Academy Charter School, Inc. (the "School"), a charter school, as of, and for the fiscal 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 of America. 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 Bright Futures Academy Charter School, Inc. 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 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 November 7, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
November 7, 2019

Management's Discussion and Analysis
Bright Futures Academy Charter School, Inc.
June 30, 2019

The corporate officers of Bright Futures Academy Charter School, Inc. have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2019.

Financial Highlights

1. The net position of the School as of June 30, 2019 was a deficit of \$(180,385).
2. At year-end, the School had current assets on hand of \$246,523.
3. The School had an increase in its net position of \$6,532 for the year ended June 30, 2019.
4. The unassigned fund balance at year end was a \$3,384.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2019 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* 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 and deferred outflows of resources and liabilities and deferred inflows of resources. The difference between the four is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and

local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 11 - 14 of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 15-27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was a deficit of \$(180,385) at the close of the fiscal year. A summary of the School's net position as of June 30, 2019 and 2018 is as follows:

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 21,549 | \$ 39,463 |
| Investments | 190,000 | 70,000 |
| Prepaid expenses | 6,028 | 24,559 |
| Deposits receivable | 28,946 | 28,946 |
| Due from other agencies | - | 3,294 |
| Capital assets, net | 275,652 | 347,321 |
| Total Assets | 522,175 | 513,583 |
| Deferred outflows of resources | - | - |
| Accounts payable and accrued liabilities | 175,500 | 156,000 |
| Salaries and wages payable | 26,799 | 46,441 |
| Due to district | 5,866 | |
| Long term lease payable | 4,395 | 8,059 |
| Due to Academica Management, LLC, long term debt | 490,000 | 490,000 |
| Total Liabilities | 702,560 | 700,500 |
| Deferred inflows of resources | - | - |
| Net Position: | | |
| Net investment in capital assets | - | - |
| Unrestricted | (180,385) | (186,917) |
| Total Net Position | \$ (180,385) | \$ (186,917) |

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2019 and 2018 is as follows:

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| REVENUES | | |
| Program Revenues | | |
| Operating grants and contributions | \$ 31,223 | \$ 8,561 |
| Capital outlay funding | 62,370 | 195,401 |
| General Revenues | | |
| Local sources (FTE and other non specific revenues) | 1,495,307 | 1,896,170 |
| Charges for services | 53,512 | 56,575 |
| Other revenue | 100,878 | 31,375 |
| Total Revenues | <u>\$ 1,743,290</u> | <u>\$ 2,188,082</u> |
| EXPENSES | | |
| Instruction | \$ 734,473 | \$ 1,067,615 |
| Student support services | 1,161 | - |
| Instructional staff training | 1,675 | 3,211 |
| Board | 9,550 | 12,713 |
| School administration | 373,610 | 603,134 |
| Facilities acquisition | 2,034 | 82,542 |
| Fiscal services | 31,650 | 39,750 |
| Central services | 46,388 | 66,257 |
| Pupil transportation services | 1,231 | 4,893 |
| Operation of plant | 391,435 | 567,228 |
| Maintenance of plant | 77,025 | 119,529 |
| Community services | 66,526 | 82,920 |
| Total Expenses | <u>1,736,758</u> | <u>2,649,792</u> |
| Change in Net Position | 6,532 | (461,710) |
| Net Position at Beginning of Year | (186,917) | 274,793 |
| Net Position at End of Year | <u>\$ (180,385)</u> | <u>\$ (186,917)</u> |

The School's revenues and expenses decreased by \$444,792 and \$913,034, respectively, in the current year due to a decrease in enrollment. The School had an increase in its net position of \$6,532 for the year.

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

School Enrollment

This past year, the School had on average 209 students enrolled in grades kindergarten through eighth.

School Location

The School leases a facility located at 10350 Riverside Drive Palm Beach Gardens, Florida 33410.

Accomplishments

In 2019, Bright Futures Academy completed its 14th year of operations, serving over 209 students in grades K-8. The school improved to a letter grade of “C” from the Florida Department of Education (FLDOE).

This past year, the school and its students were recognized for various accomplishments: At the Green School Awards Ceremony, Bright Futures Academy was recognized for the second year in a row as a Green School of Excellence, the highest recognition. In addition, the EDU-Garden earned the "Outstanding School Garden" judges' award from the Oleander Garden Society and a Bright Futures student was a finalist for the Green Student of the Year Award.

The mission of Bright Futures Academy is to provide families with an educational alternative to the currently available academic programs, for students enrolling in grades K-8, in accordance with the highest professional standards and in cooperation with key stakeholders; in an effort to foster individualized education in a, safe, nurturing environment that focuses on core academics with an emphasis on international awareness, social tolerance, and environmental conservation while educating the whole child- mind, body and self.

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School’s financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

Most of the School’s operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School’s governmental general fund reported ending fund balance of \$38,358. The fund balance unassigned and available for spending at the School’s discretion is \$3,384.

Capital Assets

The School’s investment in capital assets as of June 30, 2019 amounts to \$275,652 (net of accumulated depreciation). This investment in capital assets includes improvements, furniture, fixtures, textbooks and computer equipment. As of June 30, 2019, the School had long term debt of \$490,000 related to capital assets and working capital.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

| | Governmental Fund | | |
|------------------------------------|---------------------|---------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Program Revenues | | | |
| State capital outlay funding | \$ 107,500 | \$ 68,200 | \$ 62,370 |
| Federal sources | 92,397 | 31,000 | 31,223 |
| Charges for services | 61,000 | 50,000 | 53,512 |
| General Revenues | | | |
| FTE and other nonspecific revenues | 1,519,835 | 1,484,490 | 1,495,307 |
| Other revenues | 100,957 | 100,000 | 100,878 |
| Total Revenues | <u>\$ 1,881,689</u> | <u>\$ 1,733,690</u> | <u>\$ 1,743,290</u> |
| CURRENT EXPENDITURES | | | |
| Instruction | \$ 838,765 | \$ 691,098 | \$ 685,877 |
| Student support services | 2,500 | 2,500 | 1,161 |
| Instructional staff training | 8,097 | 2,000 | 1,675 |
| Board | 12,000 | 9,550 | 9,550 |
| School administration | 369,656 | 375,000 | 373,610 |
| Fiscal services | 32,350 | 31,650 | 31,650 |
| Central services | 41,250 | 47,000 | 46,388 |
| Pupil transportation services | - | 1,300 | 1,231 |
| Operation of plant | 471,854 | 379,097 | 371,847 |
| Maintenance of plant | 91,000 | 74,598 | 72,188 |
| Community Services | 53,000 | 68,004 | 66,526 |
| Total Current Expenditures | <u>\$ 1,920,472</u> | <u>\$ 1,681,797</u> | <u>\$ 1,661,703</u> |

Most variances occurred as a result of the budget adopted being more conservative than actual results for the year.

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Broward, LLC, 6340 Sunset Drive, Miami, Florida 33143.

Bright Futures Academy Charter School, Inc.

Statement of Net Position

June 30, 2019

| <u>Assets</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 21,549 |
| Investment | 190,000 |
| Prepaid expenses | 6,028 |
| Deposits receivable | 28,946 |
| Total Current Assets | <u>246,523</u> |
| Capital assets, depreciable | 881,296 |
| Less: accumulated depreciation | <u>(605,644)</u> |
| | <u>275,652</u> |
| Total Assets | <u>522,175</u> |
| <u>Deferred Outflows of Resources</u> | <u>-</u> |
| <u>Liabilities</u> | |
| Current liabilities: | |
| Accounts payable and accrued expenses | 175,500 |
| Due to district | 5,866 |
| Salaries and wages payable | 26,799 |
| Due to Academica Management, LLC, current portion of long term debt | 240,000 |
| Current portion of long term lease | 4,395 |
| Total Current Liabilities | <u>452,560</u> |
| Long term liabilities: | |
| Due to Academica Management, LLC, long term debt | <u>250,000</u> |
| Total Liabilities | <u>702,560</u> |
| <u>Deferred Inflows of Resources</u> | <u>-</u> |
| Net Position: | |
| Net investment in capital assets | - |
| Unrestricted | <u>(180,385)</u> |
| Total Net Position | <u>\$ (180,385)</u> |

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

Bright Futures Academy Charter School, Inc.

Statement of Activities

For the year ended June 30, 2019

| FUNCTIONS | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--------------------------------------|------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Instruction | \$ 734,473 | \$ - | \$ 31,223 | \$ - | \$ (703,250) |
| Student support services | 1,161 | | | | (1,161) |
| Instructional staff training | 1,675 | - | - | - | (1,675) |
| Board | 9,550 | - | - | - | (9,550) |
| School administration | 373,610 | - | - | - | (373,610) |
| Facilities acquisition | 2,034 | - | - | - | (2,034) |
| Fiscal services | 31,650 | - | - | - | (31,650) |
| Central services | 46,388 | - | - | - | (46,388) |
| Pupil transportation services | 1,231 | - | - | - | (1,231) |
| Operation of plant | 391,435 | - | - | 62,370 | (329,065) |
| Maintenance of plant | 77,025 | - | - | - | (77,025) |
| Community services | 66,526 | 53,512 | - | - | (13,014) |
| Total governmental activities | 1,736,758 | 53,512 | 31,223 | 62,370 | (1,589,653) |
| General revenues: | | | | | |
| FTE and other nonspecific revenues | | | | | 1,495,307 |
| Other revenues | | | | | <u>100,878</u> |
| Change in net position | | | | | 6,532 |
| Net position, beginning | | | | | <u>(186,917)</u> |
| Net position, ending | | | | | <u>\$ (180,385)</u> |

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

Bright Futures Academy Charter School, Inc.

Balance Sheet - Governmental Funds

June 30, 2019

| | General Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|--------------|------------------------------------|--------------------------------|
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 21,549 | \$ - | \$ 21,549 |
| Investment | 190,000 | - | 190,000 |
| Prepaid expenses | 6,028 | - | 6,028 |
| Deposits and other receivables | 28,946 | - | 28,946 |
| Total Assets | 246,523 | - | 246,523 |
| Deferred Outflows of Resources | - | - | - |
| <u>Liabilities</u> | | | |
| Salaries and wages payable | 26,799 | - | 26,799 |
| Accounts payable and accrued expenses | 175,500 | - | 175,500 |
| Due to district | 5,866 | - | 5,866 |
| Total Liabilities | 208,165 | - | 208,165 |
| Deferred Inflows of Resources | - | - | - |
| <u>Fund balance</u> | | | |
| Nonspendable, not in spendable form | 34,974 | - | 34,974 |
| Unassigned | 3,384 | - | 3,384 |
| | 38,358 | - | 38,358 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 246,523 | \$ - | \$ 246,523 |

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

Bright Futures Academy Charter School, Inc.

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2019

Total Fund Balance - Governmental Funds \$ 38,358

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

Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the fund."

| | | |
|-----------------------------|------------------|---------|
| Capital assets, depreciable | 881,296 | |
| Accumulated depreciation | <u>(605,644)</u> | 275,652 |

| | |
|---|------------------|
| Long term liabilities were not due and payable in the current period and, therefore, are not reported in the funds. | <u>(494,395)</u> |
|---|------------------|

| | |
|--|---------------------|
| Total Net Position - Governmental Activities | <u>\$ (180,385)</u> |
|--|---------------------|

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

Bright Futures Academy Charter School, Inc.

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2019

| | General Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--------------------------------------|--------------|------------------------------------|--------------------------------|
| Revenues: | | | |
| State passed through local | \$ 1,495,307 | \$ - | \$ 1,495,307 |
| State capital outlay funding | - | 62,370 | 62,370 |
| Federal sources | - | 31,223 | 31,223 |
| Charges for services | 53,512 | - | 53,512 |
| Other revenue | 100,878 | - | 100,878 |
| Total Revenues | 1,649,697 | 93,593 | 1,743,290 |
| Expenditures: | | | |
| Current | | | |
| Instruction | 655,885 | 29,992 | 685,877 |
| Student support services | 1,161 | - | 1,161 |
| Instructional staff training | 1,675 | - | 1,675 |
| Board | 9,550 | - | 9,550 |
| School administration | 373,610 | - | 373,610 |
| Food services | - | - | - |
| Facilities acquisition | - | - | - |
| Fiscal services | 31,650 | - | 31,650 |
| Central services | 46,388 | - | 46,388 |
| Pupil transportation services | - | 1,231 | 1,231 |
| Operation of plant | 309,477 | 62,370 | 371,847 |
| Maintenance of plant | 72,188 | - | 72,188 |
| Community services | 66,526 | - | 66,526 |
| Capital Outlay: | | | |
| Other capital outlay | 3,386 | - | 3,386 |
| Debt Service: | | | |
| Redemption of principal | 3,664 | - | 3,664 |
| Total Expenditures | 1,575,160 | 93,593 | 1,668,753 |
| Excess of revenues over expenditures | 74,537 | - | 74,537 |
| Other financing sources (uses) | | | |
| Transfers in (out) | - | - | - |
| Net change in fund balance | 74,537 | - | 74,537 |
| Fund Balance at beginning of year | (36,179) | - | (36,179) |
| Fund Balance at end of year | \$ 38,358 | \$ - | \$ 38,358 |

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

Bright Futures Academy Charter School, Inc.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2019

Net Change in Fund Balance - Governmental Funds \$ 74,537

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 cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differed from depreciation expense.

| | | |
|----------------------|-----------------|----------|
| Capital outlay | 3,386 | |
| Depreciation expense | <u>(75,055)</u> | (71,669) |

The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments differed from proceeds.

| | | |
|-------------------------------|--------------|--|
| Repayments of long-term lease | <u>3,664</u> | |
|-------------------------------|--------------|--|

| | |
|---|-----------------|
| Change in Net Position of Governmental Activities | <u>\$ 6,532</u> |
|---|-----------------|

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Bright Futures Academy 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. The governing body of the School is the Board of Directors which is composed of six members. The board has determined that no component units exist that would require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Palm Beach County, Florida. The current charter expires on June 30, 2023 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reason set forth in the charter and Section 1002.33 of the Florida Statutes.

The School has one campus located in Palm Beach Gardens, Florida. It is approved to serve students in K-8 for the 2018-2019 school year. These financial statements are for the year ended June 30, 2019, when on average 209 students were enrolled for the school year.

Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not properly included with program revenues are reported as general revenues.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Fund financial statements are provided for governmental funds and fiduciary funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of sources, equity, revenues and expenditures. The School reports the following major governmental funds with all other non-major funds aggregated in a single column:

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

Additionally, the School reports the following fiduciary fund types:

Agency Fund – accounts for resources of the Schools' Internal Fund which is used to administer monies collected at the schools in connection with school, student activities, class, and club activities. The agency fund liability as of June 30, 2019, was \$-0-.

Measurement Focus and Basis of Accounting

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

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined.

Note 1 – Summary of Significant Accounting Policies (continued)

“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 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

The School has not adopted a formal deposit and investment policy that limits the School’s allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School has adopted GASB Codification Section 3100 *Fair Value Measurement and Application* (see Note 3).

Inter-fund Transfers

Inter-fund receivables/payables (“due from/to”) are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Due from Other Governments or Agencies

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

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

| | |
|-----------------------------------|--------------|
| Leasehold Improvements | 5 -10 Years |
| Furniture, Equipment and Software | 3 - 10 Years |
| Textbooks | 3 Years |

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a "benefit year"). In the event that available time is not used by the end of the benefit year, employees may "rollover" all unused days for use in future benefit years. Employees may to "cash out" unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to maintain a minimum of twenty-one unused days. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for sick days available to be used in future benefits years. The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 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 net 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 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.

Revenue Sources

Revenues for current operations are received primarily from the State through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

The School receives State funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District.

Note 1 – Summary of Significant Accounting Policies (continued)

Net position and Fund balance classifications

Government-wide financial statements

Equity is classified as net position and displayed in three (3) components:

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund financial statements

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

- a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable balances transferred at year end relate to not in spendable form assets.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as unassigned fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Income Taxes

Bright Futures Academy Charter School, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Use of Estimates

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

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through November 7, 2019, which is the date the financial statements were available to be issued.

Bright Futures Academy Charter School, Inc.
Notes to Financial Statements
June 30, 2019

Note 2 – Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the period ended June 30, 2019:

| | Balance 07/01/18 | Additions | Retirements / Reclassification | Balance 06/30/19 |
|------------------------------------|---------------------|--------------------|-----------------------------------|---------------------|
| Capital Assets, depreciable: | | | | |
| Buildings and improvements | \$ 442,261 | \$ - | \$ - | \$ 442,261 |
| Computer software | 3,996 | - | - | 3,996 |
| Furniture, equipment and textbooks | 431,653 | 3,386 | - | 435,039 |
| Total Capital Assets | <u>877,910</u> | <u>3,386</u> | <u>-</u> | <u>881,296</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and improvements | (341,779) | (8,384) | - | (350,163) |
| Computer software | (466) | (799) | - | (1,265) |
| Furniture, equipment and textbooks | (188,344) | (65,872) | - | (254,216) |
| Total Accumulated Depreciation | <u>(530,589)</u> | <u>(75,055)</u> | <u>-</u> | <u>(605,644)</u> |
| Capital Assets, net | <u>\$ 347,321</u> | <u>\$ (71,669)</u> | <u>\$ -</u> | <u>\$ 275,652</u> |

For the fiscal year ended June 30, 2019, depreciation expense is allocated in the Statement of Activities by function as follows:

| | |
|----------------------------|------------------|
| Instruction | \$ 48,596 |
| Operation of plant | 19,588 |
| Facilities acquisition | 2,034 |
| Maintenance of plant | 4,837 |
| Total Depreciation Expense | <u>\$ 75,055</u> |

Note 3 – Cash, Cash Equivalents and Investments

Deposits

The School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2019, the School's deposits consisted of cash balances of \$22,892.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. As of June 30, 2019, there were no bank balances in potential excess of FDIC insured amounts; including fiduciary account bank balances.

Note 3 – Cash, Cash Equivalents and Investments (continued)

Investments

The School categorizes its fair value measurements within the fair value hierarchy established by GASB Codification Section 3100 *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2019, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$240,000 valued using Level 2 inputs.

The government money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of July 31, 2019, maturities of the fund's portfolio holdings are approximately 81% within 30 days.

Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated government money market mutual funds. The fund is rated Aaa-mf by Moody's.

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2019, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

Note 4 – Education Service and Support Provider

Academica Broward, LLC, an education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting, financial reporting and virtual education services. The agreement between the School and Academica Broward, LLC calls for a fee on a per student basis.

The agreement is with Bright Futures Academy Charter School, Inc. for a period of seven years, through June 30, 2023, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2019, the School incurred \$94,950 in fees, of which \$94,950 have been fully granted to the School and are not recoverable.

As approved by the Board of Directors, the agreement was terminated effective February 26, 2019 with a transitionary period through June 30, 2019.

Academica Broward, LLC is located at 6340 Sunset Drive, Miami, Florida 33143.

Note 5 – Transactions with Affiliates of the ESSP

During the year ended June 30, 2017, the School received long-term, non-interest bearing advances, in the form of two promissory notes, from Academica Management, LLC. The advances are due in three years. The following schedule provides a summary of changes in long-term debt for the year ended June 30, 2019.

| | Balance 07/01/18 | Advances | Payments | Balance 06/30/19 |
|----------------------------------|---------------------|-------------|-------------|---------------------|
| Due to Academica Management, LLC | \$ 490,000 | \$ - | \$ - | \$ 490,000 |
| Total Long Term Payables | <u>\$ 490,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 490,000</u> |

Future maturities of the remaining long-term payable balance is as follows:

| Year | |
|------|-------------------|
| 2020 | \$ 240,000 |
| 2021 | 250,000 |
| | <u>\$ 490,000</u> |

Note 6 – Commitments, Contingencies and Concentrations

The School entered into an amended lease agreement with Riverside Commercial Enterprises, LLC for 7,514 square feet of space located at 10350 Riverside Drive, Palm Beach Gardens Florida. The current base rent is \$19.50 per square foot. The agreement continues through July 31, 2020.

The School entered into an amended lease agreement with Riverside Partners, LLC, for 5,392 square feet of space located at 10300 Riverside Drive, Palm Beach Gardens, Florida. The current base rent is \$19.50 per square foot. The agreement continues through July 31, 2020.

For 2019, rent expense including direct facility expenses paid totaling \$261,077. In addition, the School paid approximately \$25,566 for an operating lease for copier equipment. Future minimum commitments under the lease are as follows:

| Year | |
|------|-----------|
| 2020 | \$287,000 |
| 2021 | \$11,284 |

Capital Lease

On March 25, 2014, the School entered into a capital lease agreement for the purchase of an air-conditioning unit with a total asset value of \$25,000. The lease term is seventy two monthly payments. Upon final payment of the lease, title to the capital assets will revert to the School.

The following is the schedule of future minimum lease payments under the capital lease:

| Year | |
|---|----------|
| 2020 | \$ 5,394 |
| | 5,394 |
| Less: amount representing interest at 23% | (999) |
| | \$ 4,395 |

Concentrations

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations.

Note 6 – Commitments, Contingencies and Concentrations (continued)

The School receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School up to and including 250 students. For the year ended June 30, 2019, administrative fees withheld by the School District totaled \$74,255.

Contingencies

On March 3, 2016, a former principal of the School filed an EEOC charge with the U.S. Equal Employment Opportunity Commission. The charge indicated that no action was required by the School. On August 17, 2016, the School received a charge requiring a formal response, alleging retaliation and national origin discrimination. Management believes that the ultimate outcome of this charge will not have a material adverse effect on the net position or operations of the School. As of October 12, 2017, the EEOC had not yet made any determination or requested any additional information on the case. As such, no accrual for any contingency loss has been included in these financial statements.

As of August 31, 2018, the School received an open claim in connection with a past due consulting agreement with Henry Di Giacinto. The claim is for the period beginning July 1, 2016 through August 31, 2018 at a rate of \$6,500 per month. As of December 14, 2018, the School has reflected a liability of \$156,000 for the year ended June 30, 2018. As of June 30, 2019, an additional \$19,500 was recorded as a payable for the months of July and August 2018. The total balance due as of June 30, 2019, the full claim of \$175,500 is reflected in accounts payable.

Note 7 – Risk Management

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

The School has entered into a strategic relationship with ADP TotalSource, Inc., a human resource management firm, typically known as “Professional Employer Organization” (PEO). Under a co-employment agreements, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resources and risk management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

Note 8 – Defined Contribution Retirement Plan

The School's personnel, who are leased through ADP Total Source Group, Inc., and are eligible to participate in the ADP Total Source Retirement Savings Plan ("the Plan"), a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements.

The School does not exercise any control or fiduciary responsibility over the Plan's assets, which are administered by Voya Financial. For the year ended June 30, 2019, the School did not offer a match to participants.

Note 9 – Subsequent Events

ESSP

On July 1, 2019, the School entered into an agreement with Building Hope Services for a period of one year through June 30, 2020.

In addition, at a board meeting dated October 18, 2019, the School elected two new board members and a former board member was approved to be hired as the School's business manager.

REQUIRED SUPPLEMENTARY INFORMATION

Bright Futures Academy Charter School, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2019

| | General Fund | | |
|---|-----------------|--------------|--------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| State passed through local | \$ 1,519,835 | \$ 1,484,490 | \$ 1,495,307 |
| Charges for services | 61,000 | 50,000 | 53,512 |
| Other revenue | 100,957 | 100,000 | 100,878 |
| Total Revenues | 1,681,792 | 1,634,490 | 1,649,697 |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction | 746,368 | 659,098 | 655,885 |
| Student support services | 2,500 | 2,500 | 1,161 |
| Instructional staff training | 8,097 | 2,000 | 1,675 |
| Board | 12,000 | 9,550 | 9,550 |
| School administration | 369,656 | 375,000 | 373,610 |
| Fiscal services | 32,350 | 31,650 | 31,650 |
| Central services | 41,250 | 47,000 | 46,388 |
| Operation of plant | 364,354 | 310,897 | 309,477 |
| Maintenance of plant | 91,000 | 74,598 | 72,188 |
| Community services | 53,000 | 68,004 | 66,526 |
| Total Current Expenditures | 1,720,575 | 1,580,297 | 1,568,110 |
| Excess (Deficit) of Revenues Over Current Expenditures | (38,783) | 54,193 | 81,587 |
| Debt Service: | | | |
| Redemption of Principal | 98,000 | 3,665 | 3,664 |
| Capital Outlay | - | 5,000 | 3,386 |
| Total Capital Outlay and Debt Service Expenditures | 98,000 | 8,665 | 7,050 |
| Total Expenditures | 1,818,575 | 1,588,962 | 1,575,160 |
| Excess (Deficit) of Revenues Over Expenditures | (136,783) | 45,528 | 74,537 |
| Other financing sources (uses): | | | |
| Transfers in (out) | - | (2,300) | - |
| Net change in fund balance | (136,783) | 43,228 | 74,537 |
| Fund Balance at beginning of year | (36,179) | (36,179) | (36,179) |
| Fund Balance at end of year | \$ (172,962) | \$ 7,049 | \$ 38,358 |

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.



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
Bright Futures Academy Charter School, Inc.
Palm Beach Gardens, 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 fund information of Bright Futures Academy 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 November 7, 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 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.

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 certain deficiencies in internal controls that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

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.

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*.

We noted certain matters that were reported in a separate management letter dated November 7, 2019 pursuant to Chapter 10.850, Rules of the Auditor General.

Status of Prior Year Material Weaknesses

Condition: The School had a material consulting agreement approved by the Board of Directors in May 2016 that was never paid during the years ended June 30, 2018 and 2017 resulting in an open claim of \$156,000 that was identified as an audit adjustment and accrued for as of June 30, 2018.

Current Status: As of June 30, 2019, the total amount due in connection with this agreement is \$175,500 has been fully reflected in accounts payable as of June 30, 2019.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
November 7, 2019



MANAGEMENT LETTER

To the Board of Directors of
Bright Futures Academy Charter School, Inc.
Palm Beach Gardens, Florida

Report on the Financial Statements

We have audited the financial statements of Bright Futures Academy Charter School, Inc., Palm Beach Gardens, Florida, as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated November 7, 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 Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated November 7, 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.

See attached addendum titled Status of Prior Year Findings and Recommendations.

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 and the school code assigned by the Florida Department of Education of the entity is Bright Futures Academy Charter School, Inc., 3385.

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 Bright Futures Academy Charter School, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Bright Futures Academy Charter School, Inc. did not meet one 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 Bright Futures Academy Charter School, Inc.. It is management's responsibility to monitor Bright Futures Academy Charter School, Inc.'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.

We have applied such procedures as of the fiscal year end and noted the following deteriorating financial condition as noted in the status of prior year findings in the attached addendum.

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether Bright Futures Academy Charter School, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Bright Futures Academy Charter School, Inc. did not maintain on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes as follows:

The audit reports issued for the year ended June 30, 2018 and the school grade for the current school year ended June 30, 2019 are not listed on the School's website.

Additional Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had some repeat findings and recommendations. (See attached addendum titled Status of Prior Year Findings and Recommendations).

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such recommendations.

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 Florida House of Representatives, the Florida

Auditor General, School Board of Palm Beach County, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
November 7, 2019

Bright Futures Academy Charter School, Inc.
Addendum to Management Letter

Status of Prior Year Findings and Recommendations:

ML – 18-01 FINANCIAL EMERGENCY

| | |
|------------|---|
| Criteria: | Adequate review of all open agreements and commitments are required to be in place to provide reasonable assurance that they are complete and accurately reflected in the School's accounting and budgets. |
| Condition: | The School had a material consulting agreement approved by the Board of Directors in May 2016 that was never paid during the years ended June 30, 2018 and 2017 resulting in an open claim of \$156,000 that was identified as an audit adjustment and accrued for as of June 30, 2018. |
| Context: | Failure to properly identify and record the corresponding liability of all significant agreements in a timely manner has caused a financial emergency as described in Section 218.503(1), Florida Statutes, to occur. |
| Effect: | The identified adjustment resulted in an increase in the negative net position and fund balance. In addition, the agreement was not reflected in the School's budget for the years ended June 30, 2018 and 2017. As of December 14, 2018, the claim remains payable and therefore meets the definition of a financial emergency. |
| Cause: | The condition results from not properly identifying and recording all significant agreements in a timely manner. |
| Status: | <p>As of June 30, 2019, the School had a positive unassigned fund balance of \$3,384; generated a change in net position of \$6,532 thereby decreasing the deficit in the net position to \$180,385.</p> <p>As of June 30, 2019, the total amount due in connection with this agreement is \$175,500.</p> <p>After the School received the claim in connection with the above referenced consulting agreement, Mr. Henry Di Giacinto was approved by the Board as interim CEO effective September 12, 2018 at a monthly rate of \$6,500.</p> <p>Although the claim remains payable at year end, the School was able to meet all remaining working capital requirements throughout the year ended June 30, 2019.</p> |

ML – 18-02 DETERIORATING FINANCIAL CONDITION (This is a repeat finding in the 2019 audit)

| | |
|-----------|--|
| Criteria: | The School has been unable to increase enrollment sufficiently to generate enough revenues to meet its expenditures. |
|-----------|--|

Condition: As of June 30, 2018, the School had accumulated a \$186,917 deficit of net position attributable to a current year loss in the change of net position of \$461,710. In addition, the Schools current assets and unassigned fund balance does not meet three months working capital. Finally, enrollment for the 2018-2019 school year has further decreased by an estimated 55 students.

Context: Failure to increase enrollment and revenues may cause a financial emergency as described in Section 218.503(1), Florida Statutes, to occur.

Effect: The financial circumstances significantly impairs the School's ability to meet current expenditures without accumulating a negative net position and fund balance.

Cause: The condition results from an inability to increase enrollment and revenue or reduce expenditures.

Status: As of June 30, 2019, the School had a positive unassigned fund balance of \$3,384; generated a change in net position of \$6,532 thereby decreasing the deficit in the net position to \$180,385. Enrollment is estimated to increase in 2019-2020 to 230 students.

As of June 30, 2019, the School's unassigned fund balance does not meet the three months working capital requirement.

Views of Responsible

Officials: See management letter response.

ML – 18-03 INTERNAL ACCOUNT DEPOSITS (This is a repeat finding in the 2019 audit)

Criteria: The School designed and implemented an internal control system to reduce the risk of misappropriation of assets and/or cash receipts by establishing a general policy regarding the collection of money as detailed in the School's "Financial – Policies and Procedures" manual.

Condition: We noted the following: missing various receipts of over \$25, a Deposit Summary did not agree to Recap Collections Form.

Cause: The condition results from school personnel not consistently adhering to the policies and procedures regarding the collection of money as detailed in the handbook.

Effect: Failure to perform the procedures mentioned above could result in misappropriation of assets.

Recommendation: We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all deposits and cash receipts are properly counted, reviewed, and reconciled to the amount deposited in the

bank account. In addition, we recommend the school implement / add a fundraising closing form to its “Financial – Policies and Procedures” manual.

Status: Although the School implemented use of paypal and square, the reports provided for these deposits were not reconciled to the amounts deposited in the bank by activity type, such as internal or after-care. In addition, due to a change in school administration, the supporting Quickbooks file was not available for review to determine how these reports were accounted for. This is a repeat observation.

Views of Responsible

Officials: See Management Letter response.

ML – 18-04 INTERNAL ACCOUNT DISBURSEMENTS (This is a repeat finding in the 2019 audit)

Criteria: The School designed and implemented an internal control system to reduce the risk of misappropriation of assets and/or invalid payments by establishing a general policy regarding cash disbursements as detailed in the School’s “Financial – Policies and Procedures” manual.

Condition: We noted the following: one check issued without dual signatures, and one invoice missing.

Cause: The condition results from school personnel not consistently adhering to the policies and procedures regarding the cash disbursements / expenses as detailed in the manual.

Effect: Failure to perform the procedures mentioned above could result in misappropriation of assets and/or invalid payments.

Recommendation: We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all disbursements are properly approved and have proper documentation. In addition, we recommend the school consider implementing check requisition forms prior to issuing checks.

Status: Due to a change in school administration, the source documentation for various disbursements such as invoices in the sample selected were not available for review. This is a repeat observation.

Views of Responsible

Officials: See Management Letter response.

ML – 18-05 MONTHLY CLOSING PROCEDURES (This is a repeat finding in the 2019 audit)

Criteria: The School designed and implemented an internal control system to reduce the risk of misappropriation of assets and accounting errors by requiring the treasurer to monitor and reconcile all bank accounts on a monthly basis.

Condition: In the internal account we noted that one of the checks for the month of February 2018 was a duplicated payment but was never voided.

Cause: The condition results from the treasurer not reviewing reconciling items on the bank reconciliation and bank accounts in detail.

Effect: Failure to perform the procedures mentioned above could result in misappropriation of assets and/or accounting errors.

Recommendation: We recommend that the School review the reconciling bank activity against the bank statement and an authorized individual review and approve the month end bank reconciliations.

Status: Although it is noted that an update was provided in the board meetings regarding the activity in the internal account due to a change in school administration, the internal account Quickbooks file was not available for review of the monthly bank reconciliations. Therefore, this is a repeat finding.

Views of Responsible Officials: See Management Letter response.

Bright Futures Academy

Sustainable Education Since 2001

WHO will STAND UP for the Earth?

September 30, 2019

Juliana Delmas
Gravier LLC
396 Alhambra Circle, Suite 900
Coral Gables, FL 33134

Ms Delmas,

Subject: Management Response to 2018-2019 Audit Finding of Bright Futures Academy

ML – 18-01 FINANCIAL EMERGENCY

Criteria: Adequate review of all open agreements and commitments are required to be in place to provide reasonable assurance that they are complete and accurately reflected in the School's accounting and budgets.

Condition: The School had a material consulting agreement approved by the Board of Directors in May 2016 that was never paid during the years ended June 30, 2018 and 2017 resulting in an open claim of \$156,000 that was identified as an audit adjustment and accrued for as of June 30, 2018.

Context: Failure to properly identify and record the corresponding liability of all significant agreements in a timely manner has caused a financial emergency as described in Section 218.503(1), Florida Statutes, to occur.

Effect: The identified adjustment resulted in an increase in the negative net position and fund balance. In addition, the agreement was not reflected in the School's budget for the years ended June 30, 2018 and 2017. As of December 14, 2018, the claim remains payable and therefore meets the definition of a financial emergency.

Cause: The condition results from not properly identifying and recording all significant agreements in a timely manner.

Status: As of June 30, 2019, the School had a positive unassigned fund balance of \$3,384; generated a change in net position of \$6,532 thereby decreasing the deficit in the net position to \$180,385.

As of June 30, 2019, the total amount due in connection with this agreement is \$175,500.

After the School received the claim in connection with the above referenced consulting agreement, Mr. Henry Di Giacinto was approved by the Board as interim CEO effective September 12, 2018 at a monthly rate of \$6,500. Although the claim remains payable at year end, the School was able to meet all remaining working capital requirements throughout the year ended June 30, 2019 therefore the School no longer meets the definition of financial emergency.

Management Response to ML-1801

Mr. Di Giacinto represented by an attorney who is negotiating with BFA to obtain an ongoing payment that the school can afford when the financial condition permit. No payment has been agreed to nor accepted that would create a financial crises. It is not the intention or desire of either party to create a financial crises for the school. Negotiations regarding the consulting agreement between Mr. DiGiacinto and BFA have resulted in an agreement that BFA will honor his claim but will defer any monthly payment until the school is no longer under a financial emergency condition and the school is able to pay Mr. DiGiacinto to an agreed upon minimum monthly payment for his past services. The BFA Board needs to approve this arrangement and agree upon these terms.

Bright Futures Academy

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ML - 18-02 DETERIORATING FINANCIAL CONDITION (This is a repeat finding in the 2019 audit)

Criteria: The School has been unable to increase enrollment sufficiently to generate enough revenues to meet its expenditures.

Condition: As of June 30, 2018, the School had accumulated a \$186,917 deficit of net position attributable to a current year loss in the change of net position of \$461,710. In addition, the Schools current assets and unassigned fund balance does not meet three months working capital. Finally, enrollment for the 2018-2019 school year has further decreased by an estimated 55 students.

Context: Failure to increase enrollment and revenues may cause a financial emergency as described in Section 218.503(1), Florida Statutes, to occur.

Effect: The financial circumstances significantly impairs the School's ability to meet current expenditures without accumulating a negative net position and fund balance.

Cause: The condition results from an inability to increase enrollment and revenue or reduce expenditures.

Status: As of June 30, 2019, the School had a positive unassigned fund balance of \$3,384; generated a change in net position of \$6,532 thereby decreasing the deficit in the net position to \$180,385. Enrollment is estimated to increase in 2019-2020 to 230 students.

As of June 30, 2019, the School's unassigned fund balance does not meet the three months working capital requirement.

Management Response to ML 18-02:

Bright Futures has made significant progress toward reducing its expenses in 2018-2019 in the amount of \$461,710 when compared to 2017-2018. The identified further opportunities in the 2019-2020 to further reduce expenses including IT expenses, building cleaning expenses, ground maintenance expenses, and storage expenses. It has reduced its lease expenses by \$36,000 annually with the property owner.

Management continues to obtain competitive bids from vendors.

Enrollment is currently at 195 students, down 6 students from last year numbers on September 12. BFA has a current waiting list of 10 students, and we expect to be at 200 by October 15 and at 205 by February 2020. Based on the projected enrollment, a revised budget has been developed and submitted to the District that shows revenues exceeding expense for the year. Attached is the projected enrollment report for 2019-2020 and a revised budget forecast for the next five years.

ML - 18-03 INTERNAL ACCOUNT DEPOSITS

Criteria: The School designed and implemented an internal control system to reduce the risk of misappropriation of assets and/or cash receipts by establishing a general policy regarding the collection of money as detailed in the School's "Financial - Policies and Procedures" manual.

Condition: We noted the following: missing various receipts of over \$25, a Deposit Summary did not agree to Recap Collections Form.

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Effect: Failure to perform the procedures mentioned above could result in misappropriation of assets.

Bright Futures Academy

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Recommendation: We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all deposits and cash receipts are properly counted, reviewed, and reconciled to the amount deposited in the bank account. In addition, we recommend the school implement / add a fundraising closing form to its "Financial – Policies and Procedures" manual.

Status: Although the School implemented use of PayPal and square the reports provided for these deposits are not reconciled to the amounts deposited in the bank by activity type such as internal or after-care. In addition, due to a change in school administration, the supporting Quickbooks file was not available for review to determine how these reports were accounted for. This is a repeat observation.

Views of Responsible

officials: To be provided separately by management in a separate letter.

ML – 18-03 INTERNAL ACCOUNTS: Deoposits; ML-1804 Disbursements; ML-1805 Closing Procedures: Management Response

BFA has developed a new procedure and thorough process for all aspects of Internal Accounts with specific accountability for the management of internal accounts that (1) records all revenues and expenses and deposits. The Business Manager has been retained on staff to help manage the new process and ensure all Internal Account expense are entered into the new "Charter ACE" system to capture and track expenses . The Data Processor is responsible for collecting cash, checks, PayPal and Square payments. The CEO or Treasurer is responsible for making all deposits for a separate bank account. The Treasurer will upload bank statements to Building Hope who will insure all deposits and expenses are reflected in the financial statements of BFA. Specific procedure for Internal Accounts is attached.

ML – 18-04 INTERNAL ACCOUNT DISBURSEMENTS (This is a repeat finding in the 2019 audit)

Criteria: The School designed and implemented an internal control system to reduce the risk of misappropriation of assets and/or invalid payments by establishing a general policy regarding cash disbursements as detailed in the School's "Financial – Policies and Procedures" manual.

Condition: We noted the following: one check issued without dual signatures, and one invoice missing.

Cause: The condition results from school personnel not consistently adhering to the policies and procedures regarding the cash disbursements / expenses as detailed in the manual.

Effect: Failure to perform the procedures mentioned above could result in misappropriation of assets and/or invalid payments.

Status: Due to a change in school administration, the source documentation for various disbursements such as invoices in the sample selected were not available for review. This is a repeat observation.

Recommendation: We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all disbursements are properly approved and have proper documentation. In addition, we recommend the school consider implementing check requisition forms prior to issuing checks.

ML – 18-04 INTERNAL ACCOUNTS: ML-1804 Disbursements; ML-1805 Closing Procedures: Management Response

BFA has developed a new procedure and thorough process for all aspects of Internal Accounts with specific accountability for the management of internal accounts that (1) records all revenues and expenses and

Bright Futures Academy

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deposits. The Business Manager has been retained on staff to help manage the new process and ensure all Internal Account expense are entered into the new "Charter ACE" system to capture and track expenses . The Data Processor is responsible for collecting cash, checks, PayPal and Square payments. The CEO or Treasurer is responsible for making all deposits for a separate bank account. The Treasurer will upload bank statements to Building Hope who will insure all deposits and expenses are reflected in the financial statements of BFA. Specific procedure for Internal Accounts is attached.

ML - 18-05 MONTHLY CLOSING PROCEDURES v(This is a repeat finding in the 2019 audit)

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Cause: The condition results from the treasurer not reviewing reconciling items on the bank reconciliation and bank accounts in detail.

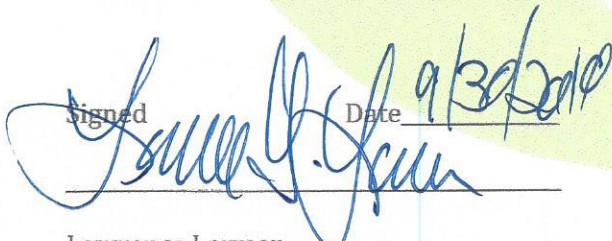
Effect: Failure to perform the procedures mentioned above could result in misappropriation of assets and/or accounting errors.

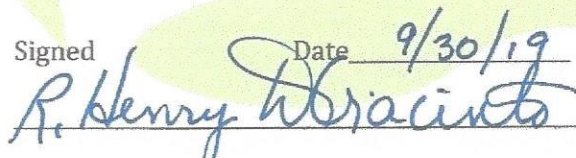
Recommendation: We recommend that the School review the reconciling bank activity against the bank statement and an authorized individual review and approve the month end bank reconciliations.

Status: Although it is noted that an update was provided in the board meetings regarding the activity in the internal account due to a change in school administration, the internal account Quickbooks file was not available for review of the monthly bank reconciliations. Therefore, this is a repeat finding.

ML - 18-05 INTERNAL ACCOUNTS: ML-1805 Closing Procedures: Management Response

BFA has developed a new procedure and thorough process for all aspects of Internal Accounts with specific accountability for the management of internal accounts that (1) records all revenues and expenses and deposits. The Business Manager has been retained on staff to help manage the new process and ensure all Internal Account expense are entered into the new "Charter ACE" system to capture and track expenses . The Data Processor is responsible for collecting cash, checks, PayPal and Square payments. The CEO or Treasurer is responsible for making all deposits for a separate bank account. The Treasurer will upload bank statements to Building Hope who will insure all deposits and expenses are reflected in the financial statements of BFA. Specific procedure for Internal Accounts is attached.

Signed  Date 9/30/2019
Lawrence Larmer
Chairman of the Board

Signed  Date 9/30/19
R. Henry Di Giacinto
CEO