

**CHAMPIONSHIP ACADEMY  
OF DISTINCTION AT  
DAVIE, INC.**

**Basic Financial Statements and  
Supplemental Information**

**For the year ended  
June 30, 2019**

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14-27
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	28
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Special Revenue Fund	29
Note to Required Supplemental Information	30
SUPPLEMENTAL INFORMATION	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	31-33
MANAGEMENT LETTER	34-35
CORRECTIVE ACTION PLAN	36



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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Championship Academy of Distinction at Davie, Inc.  
Hollywood, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Championship Academy of Distinction at Davie, Inc. (the "School"), a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' 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 auditors' 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.

## ***Opinion***

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 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.

## ***Prior Period Adjustment***

As discussed in Note L to the financial statements, beginning net position has been decreased by \$287,356 as a result of an error made in prior periods for recording payroll accrual for teachers and administration employees. Our opinion is not modified with respect to that matter.

## ***Emphasis of Matter – Going Concern***

As noted in Note N, on August 22, 2019, the School's charter was terminated by the School Board of Broward County, Florida, due to charter violations. Although the termination is under appeal, this matter raises significant doubt concerning the School's ability to continue as a going concern. Management's evaluation of the events and conditions regarding this matter are also described in Note N. The financial statements do not include any adjustments from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 28-30 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 October 25, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
October 25, 2019

## **Management's Discussion and Analysis**

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Championship Academy of Distinction at Davie, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2019.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements as listed in the table of contents.

### **Financial Highlights**

- The School's overall net position increased by \$332,633.
- Total ending unrestricted net position was zero.
- The School had total expenses for the year of \$4,274,529 compared to revenues of \$4,607,162.
- As discussed in Note L to the financial statements, beginning net position was reduced by \$287,356 for a prior period adjustment. This adjustment has been applied retroactively to Management's Discussion and Analysis.
- Subsequent to year end, the District terminated the charter agreement due to charter violations. See additionally Note N to the financial statements.

### **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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, 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 funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Instruction and food services are examples of the School's governmental activities.

The government-wide financial statements include only the School itself. The School Board of Broward County, Florida includes the operations of the School in its operational results.

The government-wide financial statements can be found on pages 8 - 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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government'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 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and capital outlay fund, both of which are considered to be major funds.

The School adopts an annual appropriated budget for its operations. Budgetary comparison statements with required notes have been provided to demonstrate compliance with this budget and can be found on pages 28 through 30 of this report.

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

**Notes to the financial statements.** The notes 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 starting on page 14 of this report.

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, assets exceeded liabilities by \$70,415 at June 30, 2019, compared to (\$262,218), when liabilities exceeded assets at June 30, 2018.

A portion of the School's net position reflects its investment in capital assets (e.g., furniture, fixtures and equipment and leasehold improvements), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

Comparison of the condensed statement of net position and the statement of activities are provided below:

### Championship Academy of Distinction at Davie, Inc. Statement of Net Position

	Governmental Activities		
	June 30, 2019	June 30, 2018	Variance
Assets			
Current assets	\$ 329,902	\$ 211,499	\$ 118,403
Capital assets, net of accumulated depreciation	70,415	90,359	(19,944)
Total assets	400,317	301,858	98,459
Liabilities			
Current liabilities	329,902	465,076	(135,174)
Non-current liabilities	-	99,000	(99,000)
Total liabilities	329,902	564,076	(234,174)
Net position (deficit)			
Investment in capital assets	70,415	90,359	(19,944)
Unrestricted	-	(352,577)	352,577
Total net position (deficit)	\$ 70,415	\$ (262,218)	\$ 332,633

**Championship Academy of Distinction at Davie, Inc.**  
**Statement of Activities**

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Variance</b>
Revenues:			
Program revenues:			
Charges for services	\$ 156,197	\$ 5,032	\$ 151,165
Operating grants and contributions	320,060	238,896	81,164
Capital grants and contributions	264,622	107,460	157,162
General revenues			
State passed through local school district	3,761,734	4,061,173	(299,439)
Debt forgiveness	49,500	-	49,500
Local and other	55,049	334,759	(279,710)
Total revenues	<u>4,607,162</u>	<u>4,747,320</u>	<u>(140,158)</u>
Expenses:			
Instruction	1,582,031	2,467,283	885,252
Student support services	-	2,025	2,025
Board expenses	9,000	131,392	122,392
School administration	1,064,961	1,040,901	(24,060)
Facilities and acquisition	-	60,207	60,207
Fiscal services	122,419	87,755	(34,664)
Food services	145,941	205,265	59,324
Student transportation	126,689	118,507	(8,182)
Operation of plant	1,178,228	1,146,870	(31,358)
Community services	45,260	40,791	(4,469)
Total expenses	<u>4,274,529</u>	<u>5,300,996</u>	<u>1,026,467</u>
Change in net position	332,633	(553,676)	886,309
Net position - beginning	(262,218)	291,458	(553,676)
Net position - ending	<u>\$ 70,415</u>	<u>\$ (262,218)</u>	<u>\$ 332,633</u>

The School saw a decrease in total revenues of approximately \$140,000 compared to the previous year. The School's enrollment decreased from 584 to 543, resulting in lower state pass through revenue, but this was offset by capital outlay and food service revenues received in the current year. Overall total expenses decreased compared to the previous year due to a decrease in instruction provided to students and facility costs, as well as less personnel and student related expenses due to the decrease in enrollment. These are partly offset by the increase in the school administration expense related to the additional cost of the resource officer for the School.

**Governmental activities.** Governmental activities increased the School's net position by \$332,633 for the year ended June 30, 2019. Governmental activities decreased the School's net position by \$553,676 for the year ended June 30, 2018.

**Financial Analysis of the Government's Funds**

As noted previously, 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, unreserved fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

The fund balance of the School's general fund increased by \$253,577 during the current fiscal year ended June 30, 2019.

### **Capital Asset and Debt Administration**

**Capital assets.** The School's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$70,415 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and equipment and leasehold improvements. Additional information on the School's capital assets can be found in Note C.

**Debt Administration.** The School made principal payments of \$49,500 and received debt forgiveness of \$49,500. Additional information regarding the School's long-term debt can be found in the accompanying notes to the financial statements.

### **General Fund Budgetary Highlights**

Total revenues for the year ended June 30, 2019 were lower than budgeted due to an enrollment shortfall. Because of the enrollment shortfall as well as lower cost reimbursement and state passed through revenues, total expenditures were also less than budgeted. The School had a change in fund balance that was favorable to the final budget by approximately \$170,000.

### **Economic Factors and Next Year's Budget**

In fiscal year 2019, the State of Florida increased its Florida Education Finance Program funding by approximately 2% and the capital outlay funding pool increased to \$145 million. In addition, an allocation was given to fund safe schools and mental health initiatives. A 2% merit increase was also paid out to eligible staff.

For fiscal year 2020, capital outlay revenue was assumed at an increase of 2% of the current rate per student. The budgets reflect the Florida Education Finance Program funding increase of \$175 per student. A 2% 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.

### **Request for Information**

This financial report is designed to provide a general overview of the Championship Academy of Distinction at Davie, Inc.'s finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Championship Academy of Distinction at Davie, Inc., 3367 North University Drive, Davie, FL 33024.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 105,380
Accounts receivable, including amounts from related party	57,124
Due from management company	149,224
Due from other agency	18,174
Total current assets	329,902
Capital assets, net	70,415
Total assets	400,317
<b>LIABILITIES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Salaries and wages payable	241,072
Accounts payable, including amounts to related party	88,830
Total current liabilities	329,902
Total liabilities	329,902
<b>NET POSITION</b>	
Investment in capital assets	70,415
Unrestricted	-
Total net position	\$ 70,415

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

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:					Governmental Activities
Instruction	\$ 1,582,031	\$ -	\$ 174,119	\$ -	\$ (1,407,912)
Board expenses	9,000	-	-	-	(9,000)
School administration	1,064,961	-	-	-	(1,064,961)
Fiscal services	122,419	-	-	-	(122,419)
Food services	145,941	18,726	145,941	-	18,726
Student transportation	126,689	-	-	-	(126,689)
Operation of plant	1,178,228	-	-	264,622	(913,606)
Community service	45,260	137,471	-	-	92,211
Total governmental activities	<u>\$ 4,274,529</u>	<u>\$ 156,197</u>	<u>\$ 320,060</u>	<u>\$ 264,622</u>	<u>(3,533,650)</u>
General revenues:					
State passed through local school district					3,761,734
Local and other					55,049
Debt forgiveness					49,500
Total general revenues					<u>3,866,283</u>
Change in net position					332,633
Net position at July 1, 2018, originally stated					25,138
Prior period adjustment					<u>(287,356)</u>
Net position (deficit) at July 1, 2018, restated					<u>(262,218)</u>
Net position at June 30, 2019					<u>\$ 70,415</u>

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

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2019**

	General Fund	Special Revenue Fund	Capital Outlay Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 105,380	\$ -	\$ -	\$ 105,380
Accounts receivable, including amounts from related party	57,124	-	-	57,124
Due from management company	149,224	-	-	149,224
Due from other agency	-	-	18,174	18,174
Due from other funds	18,174	-	-	18,174
Total assets	<u>\$ 329,902</u>	<u>\$ -</u>	<u>\$ 18,174</u>	<u>\$ 348,076</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Salary and wages payable	\$ 241,072	\$ -	\$ -	\$ 241,072
Accounts payable, including amounts to related party	88,830	-	-	88,830
Due to other funds	-	-	18,174	18,174
Total liabilities	<u>329,902</u>	<u>-</u>	<u>18,174</u>	<u>348,076</u>
<b>FUND BALANCES</b>				
Unassigned	-	-	-	-
Total fund balances	-	-	-	-
Total liabilities and fund balances	<u>\$ 329,902</u>	<u>\$ -</u>	<u>\$ 18,174</u>	<u>\$ 348,076</u>

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

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**

**June 30, 2019**

Fund balances - total governmental funds		\$ -
The net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Those assets consist of:		
Furniture, fixtures and equipment, net of \$45,349 accumulated depreciation	\$ -	
Leasehold improvements, net of \$125,479 accumulated depreciation	<u>70,415</u>	
Total capital assets		<u>70,415</u>
Total net position of governmental activities		<u><u>\$ 70,415</u></u>

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

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

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

**Year Ended June 30, 2019**

	General Fund	Special Revenue Fund	Capital Outlay Fund	Total Governmental Funds
Revenues				
Federal passed through local school district	\$ -	\$ 311,141	\$ -	\$ 311,141
State passed through local school district	3,770,653	-	264,622	4,035,275
Other revenues	211,246	-	-	211,246
Total revenues	<u>3,981,899</u>	<u>311,141</u>	<u>264,622</u>	<u>4,557,662</u>
Expenditures				
Current:				
Instruction	1,396,887	165,200	-	1,562,087
Board expenses	9,000	-	-	9,000
School administration	1,064,961	-	-	1,064,961
Fiscal services	122,419	-	-	122,419
Food services	-	145,941	-	145,941
Student transportation	126,689	-	-	126,689
Operation of plant	913,606	-	264,622	1,178,228
Community service	45,260	-	-	45,260
Debt service:				
Principal	49,500	-	-	49,500
Total expenditures	<u>3,728,322</u>	<u>311,141</u>	<u>264,622</u>	<u>4,304,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>253,577</u>	<u>-</u>	<u>-</u>	<u>253,577</u>
Net change in fund balances	253,577	-	-	253,577
Fund balances at July 1, 2018, originally stated	33,779	-	-	33,779
Prior period adjustment	<u>(287,356)</u>	<u>-</u>	<u>-</u>	<u>(287,356)</u>
Fund balances (deficit) at July 1, 2018	<u>(253,577)</u>	<u>-</u>	<u>-</u>	<u>(253,577)</u>
Fund balances at June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

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

**Year Ended June 30, 2019**

Net change in fund balances - total government funds	\$ 253,577
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds reported fixed capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reports as depreciation expense.	
Current year depreciation expense	(19,944)
The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items:	
Debt forgiveness	49,500
Principal payment on long-term debt	<u>49,500</u>
Change in net position of governmental activities	<u>\$ 332,633</u>

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

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Reporting entity**

The Championship Academy of Distinction at Davie, Inc. (the "School") is a component unit of the District School Board of Broward County, Florida (the "District"), a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors (the "Board"), which is comprised of not less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the School Board of Broward County, Florida, ("District"). The charter is effective until June 30, 2021 and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Pursuant to Section 1002.33(8)(c), Florida Statutes, the District may terminate the charter agreement immediately if the District determines, in its sole discretion, that the action by the School materially threatens or is detrimental to the health, safety, and welfare of the School's students.

Subsequent to June 30, 2019, the District terminated the charter agreement with the School pursuant to Section 1002.33(8)(c), Florida Statutes, and has taken over full control of the School as of August 22, 2019. See Note N to the financial statements.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.



**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

**2. Government-wide and fund 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.

Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

**3. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

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

**Nonspendable:** This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term 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 Fund Balance Sheet on page 10.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

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

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund - the general operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund - in accordance with guidelines established by The School Board of Broward County, Florida, this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

4. Cash

Cash consists of deposits in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2019, there were no funds held in excess of FDIC insurance coverage.

5. Receivables

Receivables consist of amounts due from other agencies, and the local school district at June 30, 2019. The School's management determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

6. Capital assets

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (years)
Furniture, fixtures and equipment	5
Leasehold improvements	10

7. Long-term debt

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Current-year information relative to changes in long-term debt is described in subsequent notes.

8. Revenue recognition

Student funding is provided by the State of Florida through the School District. Such funding is recorded as State passed through local school district in the government-wide financial statements and fund financial statements and is net of the 5% administration fee retained by the School District. This funding is received on a prorate basis over the 12 month period and is adjusted for changes in full-time equivalent (FTE) student population.

9. Revenue sources

Revenues for current operations are received primarily from 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(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

9. Revenue sources (continued)

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (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 (FTE) reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) 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(l)(e)2., Florida Statutes. For the fiscal year ended June 30, 2019, the School reported 543.34 unweighted FTE and 577.87 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida 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).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state 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.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

9. Revenue sources (continued)

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

10. 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 note to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

11. Use of estimates

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

12. Recent accounting pronouncements

In June 2017, the GASB issued Accounting Standards Updated (ASU") No. 87, *Leases*, which will require lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. The new guidance is effective for reporting periods beginning after December 15, 2019. Early adoption is permitted. The School is evaluating the potential effect ASU No. 87 will have on its financial statements.

13. Subsequent events

The School has evaluated subsequent events through October 25, 2019, the date which the financial statements were available to be issued.

As of August 22, 2019, the District has terminated the School's charter pursuant to Section 1002.33(8)(c), Florida Statutes, and has taken over full control of the School. See Note N to the financial statements.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE B - DUE FROM OTHER AGENCY**

The amounts Due from Other Agency included in the accompanying statement of net position and balance sheet - governmental funds consists of amounts due for Charter School Capital Outlay recorded in the Capital Outlay Fund. This receivable is considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

**NOTE C - CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Capital assets depreciated:				
Furniture, fixtures and equipment	\$ 45,349	\$ -	\$ -	\$ 45,349
Leasehold improvements	195,894	-	-	195,894
Total assets depreciated	241,243	\$ -	\$ -	241,243
Less accumulated depreciation:				
Furniture, fixtures and equipment	44,994	\$ 355	\$ -	45,349
Leasehold improvements	105,890	19,589	-	125,479
Total accumulated depreciation	150,884	\$ 19,944	\$ -	170,828
Total governmental activities capital assets, net	<u>\$ 90,359</u>			<u>\$ 70,415</u>

Depreciation expense for the year ended June 30, 2019 totaled \$19,944 and was charged to instruction within the Statement of Activities.

**NOTE D - RELATED PARTIES**

1. Related charter schools

The School entered into transactions with related charter schools which are under common control by the School's management company. Activities between the related entities are related to lease obligations, management fees, payroll and employee benefits, National School Lunch Program reimbursement, and student transportation services. The School expects to receive full payment within one year from the financial statement date and no allowance for bad debt has been established.

# CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE D - RELATED PARTIES (continued)

#### 1. Related charter schools (continued)

As of June 30, 2019, the School's receivable and payable balances with related parties are the following:

<u>Championship Academy of Distinction</u>	<u>Receivables</u>	<u>Payables</u>
at Hollywood, Inc.	\$ 50,554	\$ -
K-8 (3), Inc.	-	(60,000)
	<u>\$ 50,554</u>	<u>\$ (60,000)</u>

#### 2. Management company

The School has contracted with a management company for general management of the day-to-day educational and operational aspects of the School as noted at Note H-1. The management company entered into a loan agreement with the School to finance the payment of a judgement placed on the School as noted at Note E, foregave School debt and made contributions to the School. As of June 30, 2019, the School's balance sheet reflects a receivable due from the management company in the amount of \$149,224. The due from (to) management company activity consists of the following for the year ended June 30, 2019:

	<u>Due from (to)</u>
Balance at July 1, 2018 (note payable)	\$ (99,000)
Management fee invoiced	(525,982)
Management fee payments	525,982
Principal payment	49,500
Debt forgiveness	49,500
Contributions	149,224
Balance at June 30, 2019 (receivable)	<u>\$ 149,224</u>

The \$149,224 receivable was collected by the School subsequent to year end.

### NOTE E - LONG-TERM DEBT

The following is a summary of changes in long-term obligations of the School for the year ended June 30, 2019:

	<u>Long-term obligations at July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Long-term obligations at June 30, 2019</u>	<u>Amount due in one year</u>
Note payable	\$ 99,000	\$ -	\$ (99,000)	\$ -	\$ -
	<u>\$ 99,000</u>	<u>\$ -</u>	<u>\$ (99,000)</u>	<u>\$ -</u>	<u>\$ -</u>



**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE E - LONG-TERM DEBT (continued)**

During June 2018, the School entered into a loan agreement with Charter School Management Solutions, LLC ("CSMS"), related party, for \$99,000 to finance the payment of a judgment placed on the School. The loan is interest free and matures during October 2021.

During the year ended June 30, 2019, the School made payments of \$49,500 and received debt forgiveness from CSMS of \$49,500 to fully extinguish the debt.

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE F - SCHEDULE OF STATE REVENUE SOURCES**

Revenue sources

As stated in Note A-9, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Sources	Amounts
School Board of Broward County:	
Base student allocation	\$2,482,802
Declining enrollment	3,296
Discretionary local effort	291,169
Digital classrooms allocation	7,846
Discretionary lottery	1,881
Supplemental academic instruction	120,742
Reading allocation	23,412
ESE guaranteed allocation	58,326
Class size reduction	654,256
Transportation	10,244
Safe schools	29,058
Instructional materials	41,094
Funding compression allocation	357
Mental health allocation	12,234
FTE adjustment	798
Subtotal	3,737,515
Capital outlay	264,622
Title 1	147,200
Title 3	3,493
Best and Brightest Teacher Scholarship Program	24,219
Restart grant	14,507
Florida teacher lead program	8,919
Total from The School Board of Broward County	4,200,475
Other revenue:	
National School Lunch Program	145,941
Food service	18,726
Debt forgiveness	49,500
Fundraisers	54,998
Before and aftercare	137,471
Other revenues	51
	<u>\$4,607,162</u>

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE F - SCHEDULE OF STATE REVENUE SOURCES (continued)**

The administrative fee paid to the District during the year ended June 30, 2019, totaled \$85,966.

**NOTE G - FUNDING AND CREDIT RISK CONCENTRATIONS**

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

**NOTE H - COMMITMENTS AND CONTINGENCIES**

1. Management service contract

The School entered into a contract for the period July 1, 2016 to June 30, 2026 with Charter School Management Solutions, LLC ("CSMS"). The contract calls for CSMS to provide the School with general management of the day-to-day educational and operational aspects of the School. Under the terms of the agreement, the School will pay fourteen and a half percent (14.5%) of FEFP revenues, less the District's administrative fee, in monthly installments. The total amount incurred during the year ended June 30, 2019, relating to this contract was \$525,982; however, CSMS contributed \$149,224 of this fee back to the School. See Note D-2.

2. Facility lease

The School entered into a 25 – year lease agreement for its educational facility in November 2013. The agreement calls for monthly rent payments, annual adjustments in base rent based on the Consumer Price Index, and requires the School to pay insurance, utilities, and other costs. Rental expense charged to operations for the year ended June 30, 2019 totaled \$707,140.

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE H - COMMITMENTS AND CONTINGENCIES (continued)**

**2. Facility lease (continued)**

The following is an estimated schedule of future minimum rental payments based upon the current rate of the Consumer Price Index as of the latest annual base rent adjustment.

<u>Years ending June 30,</u>	<u>Total</u>
2020	\$ 715,411
2021	729,004
2022	742,855
2023	756,970
2024	771,352
2025-2029	4,082,245
2030-2034	4,485,077
2035-2038	3,895,238
2039	414,356
	<u>\$ 16,592,508</u>

**NOTE I - CONTINGENT LIABILITIES**

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2019, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**NOTE J - RISK MANAGEMENT PROGRAMS**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE K - LEGAL MATTERS**

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

**NOTE L - PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was recorded due to an error made in prior periods for recording payroll accrual for teachers and administration employees. The accrued payroll was adjusted to correctly state the payroll liabilities of the School, which resulted in a decrease of \$287,356 in net position at June 30, 2018.

**NOTE M - LOAN GUARANTOR**

During December 2018, the School entered into a guaranty agreement with related entity Championship Academy of Distinction entities to guarantee a \$1,500,000 note payable to original EB-5 investors. The note due date has been extended indefinitely and carries an interest rate of 7% plus a service fee rate of .34% both which are paid monthly.

**NOTE N - GOING CONCERN**

As of August 22, 2019, the School received notice from the District of termination pursuant to Section 1002.33(8)(c), Florida Statutes, and the District has taken over full control of the School. The School has continued to operate under the control of the District through the date of these financial statements. The change in control was largely due to circumstances indicating that an immediate and serious danger to the health, safety and welfare of the School's students existed due to failure to comply with Section 1006.12, Florida Statutes, for the requirement of a school resource officer (or school safety officer, school guardian or school security guard) on campus every school day. Pursuant to 1002.33(8)(b), the School's Board of Directors requested a hearing to appeal the termination. A hearing is scheduled for December 2019. The change in control raises substantial doubt about the School's ability to continue as a going concern; however, these concerns are remedied with the fact that the District has allowed the School to operate under current management pending the appeal process. The financial statements do not include any adjustments that might result from this uncertainty.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND**

**Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
State passed through local school district	\$ 4,143,242	\$ 4,143,242	\$ 3,770,653	\$ (372,589)
Other revenues	150,000	150,000	211,246	61,246
Total revenues	<u>4,293,242</u>	<u>4,293,242</u>	<u>3,981,899</u>	<u>(311,343)</u>
Expenditures				
Current:				
Instruction	1,760,949	1,760,949	1,396,887	364,062
Student support services	66,810	66,810	-	66,810
Board expenses	6,500	6,500	9,000	(2,500)
General administration	85,746	85,746	-	85,746
School administration	1,221,726	1,221,726	1,064,961	156,765
Fiscal services	40,300	40,300	122,419	(82,119)
Student transportation	100,000	100,000	126,689	(26,689)
Operation of plant	826,028	826,028	913,606	(87,578)
Maintenance of plant	55,000	55,000	-	55,000
Community service	46,800	46,800	45,260	1,540
Debt service:				
Principal	-	-	49,500	(49,500)
Total expenditures	<u>4,209,859</u>	<u>4,209,859</u>	<u>3,728,322</u>	<u>481,537</u>
Excess (deficiency) of revenues over (under) expenditures	<u>83,383</u>	<u>83,383</u>	<u>253,577</u>	<u>170,194</u>
Net change in fund balance	83,383	83,383	253,577	170,194
Fund balance at July 1, 2018, originally stated	33,779	33,779	33,779	-
Prior period adjustment	<u>(287,356)</u>	<u>(287,356)</u>	<u>(287,356)</u>	-
Fund balance (deficit) at July 1, 2018, restated	<u>(253,577)</u>	<u>(253,577)</u>	<u>(253,577)</u>	-
Fund balance at June 30, 2019	<u>\$ (170,194)</u>	<u>\$ (170,194)</u>	<u>\$ -</u>	<u>\$ 170,194</u>

See note to required supplemental information.

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND**

**Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Federal passed through local school district	\$ 389,374	\$ 389,374	\$ 311,141	\$ (78,233)
Total revenues	<u>389,374</u>	<u>389,374</u>	<u>311,141</u>	<u>(78,233)</u>
Expenditures				
Current:				
Instruction	189,374	189,374	165,200	24,174
Food services	265,191	265,191	145,941	119,250
Total expenditures	<u>454,565</u>	<u>454,565</u>	<u>311,141</u>	<u>143,424</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(65,191)</u>	<u>(65,191)</u>	<u>-</u>	<u>65,191</u>
Net change in fund balance	(65,191)	(65,191)	-	(65,191)
Fund balance (deficit) at July 1, 2018	-	-	-	-
Fund balance (deficit) at June 30, 2019	<u>\$ (65,191)</u>	<u>\$ (65,191)</u>	<u>\$ -</u>	<u>\$ (65,191)</u>

See note to required supplemental information.



**CHAMPIONSHIP ACADEMY OF DISTINCTION ACADEMY AT DAVIE, INC.**

**NOTE TO REQUIRED SUPPLEMENTAL INFORMATION**

**June 30, 2019**

**NOTE A - BUDGETARY INFORMATION**

Budgetary basis of accounting

Annual budgets are adopted for the entire operations and may be amended by the Board of Directors (the "Board"). Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major fund for which a legally adopted budget exists.

## **SUPPLEMENTAL INFORMATION**



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Cori G. Cameron  
Bob P. Marchewka  
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American Institute of  
Certified Public  
Accountants

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Accountants

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

To the Board of Directors  
Championship Academy of Distinction at Davie, Inc.  
Hollywood, 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 Championship Academy of Distinction at Davie, 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 October 25, 2019.

**Internal Control over Financial Reporting**

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

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

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

## Internal Control over Financial Reporting (continued)

We did identify certain deficiencies in internal control that we consider to be significant deficiencies which are as follows.

### 2019-001: Disbursements – Record Retention and Approvals

**Condition and Criteria:** The School is paying vendors without proper approvals and documentation support.

**Cause:** Auditor tested 30 disbursements as part of its testing and found two disbursements were not properly approved or supported with original invoice, purchase order, check request, packing slips, or other support.

**Effect:** Vendor payments could be made for unauthorized goods or services.

**Recommendation:** Auditor recommends that the School ensure that written policies and procedures surrounding disbursement approvals and record retention are properly followed.

### 2019-002: Use of Debit and Credit Cards

**Condition and Criteria:** The School utilizes debit and credit cards for purchases of goods and services. The debit card usage includes point of sale purchases.

**Cause:** Auditor noted during testing of internal control over disbursements and cash, that the School purchases goods and services with bank debit card and credit cards and that the purchases are often not accrued on the books at period end. In addition, auditor noted payments to vendors including gas stations, movie theatres and various restaurants.

**Effect:** The School could incur misuse of funds due to the lack of management control over debit and credit card usage.

**Recommendation:** Auditor recommends revoking all debit and credit cards issued to upper management or establishing stronger control over their usage and including proper approvals and retention of receipts and over the recording of card transactions. Auditor also recommends creating a policy and procedure for credit card usage and approvals.

### 2019-003: Segregation of Duties

**Condition and Criteria:** The School's policies and procedures do not provide for segregation of duties such that individuals responsible for executing transactions are not the same individual responsible for approving or recording transactions. Additionally, documentation of the financial statement close process and of management's review of key reconciliations and journal entries was insufficient.

**Cause:** The School has limited accounting staff resources and has been unable to allocate amongst other employees of the School.

**Effect:** The adequate segregation of duties is a fundamental component of internal control and the lack of proper segregation of duties and management review, allows for errors, both intentional and unintentional to go undetected.

**Recommendation:** Auditor recommends that the School implement policies and procedures to allow for a proper segregation of duties and management review of transactions and reconciliations.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Championship Academy of Distinction at Davie, Inc.'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*.

### **School's Response to Findings**

The School's response to the findings identified in our audit is described in the accompanying corrective action plan. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **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.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
October 25, 2019



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American Institute of  
Certified Public  
Accountants

Florida Institute of  
Certified Public  
Accountants

**MANAGEMENT LETTER**

To the Board of Directors  
Championship Academy of Distinction at Davie, Inc.  
Hollywood, Florida

**Report on the Financial Statements**

We have audited the financial statements of Championship Academy of Distinction at Davie, Inc. (the "School"), as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated October 25, 2019.

**Auditors' 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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in the report, which is dated October 25, 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. In that regard, there are no uncorrected prior year findings or recommendation to report.

**Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are *Championship Academy of Distinction at Davie, Inc., and 5422*.

## **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 identification of the specific conditions met. In connection with our audit, we determined that the School did not meet 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 the 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 identified recommendations listed as items 2019-001 through 2019-003 on pages 31 – 33 of this audit report.

## **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 Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in section 1002.33(9)(p), Florida Statutes.

## **Additional Matters**

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

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of 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, applicable management, and the School Board of Broward County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
October 25, 2019

## CHAMPIONSHIP ACADEMY OF DISTINCTION

3367 N. University Dr.  
Davie, FL 33024  
Phone: 954-362-3415 Fax: 954-640-9678



### CORRECTIVE ACTION PLAN

#### School Response to Findings 2019-001 to 2019-003

Pending resolution of the appeal, we will address all these comments, including development of written policies and procedures surrounding disbursements and approvals, retention of records, use of debit and credit cards and segregation of duties.

Sincerely,

Signature

Title:

Date: October 25, 2019

  
Principal, CSMS