

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC.**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORTS THEREON**

JUNE 30, 2019

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Sotolongo & Associates, P.A.

Certified Public Accountants

Report of Independent Auditors on Basic Financial Statements and Supplementary Information

To the Board of Directors of
Downtown Doral Charter
Upper School, Inc.
Doral, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Downtown Doral Charter Upper School, Inc. (the "School"), a charter school sponsored by the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Downtown Doral Charter Upper School, Inc. as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 3–10, and 34–35, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Downtown Doral Charter Upper School, Inc.'s internal control over financial reporting and compliance.

Sotolongo & Associates, P.A.

Miami, Florida
September 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Downtown Doral Charter Upper School, Inc. (the "School") presents Management's Discussion and Analysis, which is intended to provide an overview of the School's financial position and changes in financial position for the fiscal year ended June 30, 2019.

Since the focus of the Management's Discussion and Analysis (MD&A) is on the current year activities, resulting changes and currently known facts, it should be read in conjunction with the School's financial statements, including the accompanying notes.

THE SCHOOL

The 2018-2019 school year was the School's first year of operations. The School is a multicultural, multilingual school which served 100 students during the 2018-2019 school year in the sixth grade. The School is expected to grow to serve an estimated 1300 students in grades sixth through twelfth. The School is located in the northwest corner of 79th Avenue and 53rd Street, Doral, Florida.

The School offers a dual language curriculum, which aims to prepare students to excel in a complex global society. Students have a choice of four tracks as follows: an English/Spanish dual language curriculum program for fully bilingual students, an English/Portuguese dual language curriculum program for fully bilingual students, an English/Spanish dual language curriculum program, and an English Portuguese dual language curriculum program.

The School has various significant documents and agreements, which are summarized below:

Charter Agreement

In December 2017, the School entered into a Charter School Contract (the "Charter") by and between the School and the School Board of Miami-Dade County (the "School Board"). The term of the Charter runs from July 1, 2018 through June 30, 2023, and may be renewed for an additional term of five years provided the School has met certain criteria. The Charter was amended in March 2018 to increase the maximum student enrollment to 900 students in 2019-2020, 1100 students in 2020-2021, and 1300 students in 2021-2022 and 2022-2023.

Series 2017 Bonds

In December 2017, the Florida Development Finance Corporation Educational Facilities Revenue Bonds, Series 2017C, were issued in the aggregate principal amount of \$38,990,000 (the "Series 2014C Bonds"), and the Florida Development Finance Corporation Taxable Educational Facilities Revenue Bonds, Series 2017D, in the aggregate principal amount of \$255,000 were issued. The Series 2017C Bonds together with the Series 2017D Bonds are referred to from hereon as the "Series 2017 Bonds".

The proceeds of the Series 2017 Bonds were loaned by the Florida Development Finance Corporation (the "Issuer") to the School, and were used by the School (i) to acquire, construct, and equip certain charter school facility (the "Facility"), (ii) to fund a Debt Service Reserve Fund for the Series 2017 Bonds, (iii) to fund capitalized interest with respect to the Series 2017 Bonds, and (iv) to pay the costs of issuance of the Series 2017 Bonds. The Bonds were issued pursuant to a certain Indenture of Trust dated as of December 1, 2017, by and between the Issuer and Wells Fargo Bank, National Association, as trustee (the

"Trustee"). See additional information regarding the Series 2017 Bonds in Note 6 to the financial statements.

In connection with the Series 2017 Bonds, the School entered into a Loan Agreement (the "Series 2017 Loan Agreement"), dated as of December 1, 2017, pursuant to which the Issuer loaned the proceeds of the Series 2017 Bonds to the School. The School's payment of principal and interest is being used to pay principal of and interest on the Series 2017 Bonds. The obligations of the School under the Loan Agreement are secured by (i) a mortgage interest in the Facilities, (ii) an assignment of and security interest in certain School revenues, and (iii) a security interest in all other assets of the School related to the Project, excluding property prohibited by law from being pledged as security because it has been purchased or refinanced with federal or state grant funds.

Management Agreement

In December 2017, the School also entered into a Management Agreement, with the School Board that will provide operational, management and administrative services to the School. See additional information in Note 5 to the financial statements.

FINANCIAL HIGHLIGHTS

- At June 30, 2019, the School had total assets of approximately \$42,079,000.
- At June 30, 2019, the School had a cash balance of \$279,382.
- At June 30, 2019, capital assets, net was approximately \$25,099,000.
- At June 30, 2019, the School had total liabilities of \$44,784,589, of which \$39,850,113 is for long-term debt.
- For the year ended June 30, 2019, the School had total revenue of \$1,570,019.
- For the year ended June 30, 2019, the School had a reduction in its net position of \$1,402,629.
- At June 30, 2019, total net position was a deficit of \$2,705,112.
- For the year ended June 30, 2019, the School had an increase in its general fund balance of \$581,822.
- For the year ended June 30, 2019, the total decrease in net changes in fund balances was \$18,883,072
- At June 30, 2019, the total combined governmental funds balance was \$12,046,397.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – Management's Discussion and Analysis (this section), and the basic financial statements and the notes thereto. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

This document also includes the independent auditors' report on compliance and internal control

required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities, The Florida Virtual School, and Virtual Instruction Program Providers*.

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

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

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how they have changed. Net position – the difference between the School's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors, such as changes in the School's projected student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no major business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

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

The School has the following types of funds:

- *General Fund* – is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- *Special Revenue Fund* – accounts for specific revenue, such as federal grants that are legally restricted to expenditures for particular purposes. For the year ended June 30, 2019, the School did not use a special revenue fund.
- *Capital Projects Fund* – to account for the financial resources accumulated that are restricted for capital outlays.
- *Debt Service Reserve Fund* – to account for the financial resources accumulated for the purpose of servicing and setting aside reserves for payments related to principal and interest.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The following table provides the School's net position as of June 30, 2019 and 2018:

	2019	2018	Amount Increase (Decrease)
Cash and cash equivalents	\$ 279,382	\$ 41,714	\$ 237,668
Receivable - capital outlay and grant	381,520	-	381,520
Inventories	89,025	16,980	72,045
Restricted investments - Trustee	16,230,946	33,254,824	(17,023,878)
Capital Assets	<u>25,098,604</u>	<u>7,013,048</u>	<u>18,085,556</u>
Total assets	<u>42,079,477</u>	<u>40,326,566</u>	<u>1,752,911</u>
Salaries payable and other accrued liabilities	25,809	-	25,809
Construction related liabilities	3,691,506	1,231,970	2,459,536
Interest payable	1,111,214	1,129,734	(18,520)
Unearned revenues	13,074	-	13,074
Due to Downtown Doral Charter Elementary School	92,873	22,345	70,528
Long-term liabilities	<u>39,850,113</u>	<u>39,245,000</u>	<u>605,113</u>
Total liabilities	<u>44,784,589</u>	<u>41,629,049</u>	<u>3,155,540</u>
Net position (deficit):			
Net investment in capital assets	(2,239,909)	854,386	(3,094,295)
Unrestricted	<u>(465,203)</u>	<u>(2,156,869)</u>	<u>1,691,666</u>
Total net position (deficit)	<u>\$ (2,705,112)</u>	<u>\$ (1,302,483)</u>	<u>\$ (1,402,629)</u>

For the fiscal year ended June 30, 2019, the increase in cash and cash equivalents was a result of general fund activities providing cash flow. The School's restricted investments decreased as a result of capital outlay expenditures and payment of interest. Capital assets increased as result of the construction of the Facility. The increase in salaries payable and other accrued liabilities was primarily the result of payroll related accrued expenses as of the end of the year. Construction related liabilities increased primarily because of liabilities due as of June 30, 2019, that were associated with the construction of the Facility. Long-term liabilities increased due to the issuance of the promissory note payable to DDCES. See additional information related to capital assets and long-term liabilities in Notes 3 and 6 to the financial statements, respectively.

Change in Net Position

The following table summarizes the changes in the School's net position from its activities for the fiscal years ended June 30, 2019 and 2018:

Governmental Activities	2019	2018	Amount Increase (Decrease)
Revenues:			
State sources	\$ 648,463	\$ -	\$ 648,463
Federal sources	373,294	-	373,294
Capital outlay	48,732	-	48,732
After school care	28,964	-	28,964
Contributions and grants	6,100	50,000	(43,900)
Investment income	464,466	168,487	295,979
Total revenues	1,570,019	218,487	1,351,532
Expenses:			
Instruction	441,037	-	441,037
Professional development	1,400	-	1,400
Instruction related technology	11,081	-	11,081
Board	26,828	-	26,828
General administration	76,338	-	76,338
School administration	117,551	5,365	112,186
Fiscal services	14,342	186	14,156
Operation and maintenance of plant	24,371	-	24,371
Debt issuance costs and trustee fees	37,272	385,685	(348,413)
Interest on long-term debt	2,222,428	1,129,734	1,092,694
Total expenses	2,972,648	1,520,970	1,451,678
Change in net position	\$ (1,402,629)	\$ (1,302,483)	\$ (100,146)

For the year ended June 30, 2019, increases in revenues and expenses resulted primarily because the school year 2018-2019 was the School's first year of operations. Investment income increased due to restricted investments earning interest during the entire year. Debt issuance costs and trustee fees decreased due to the issuance of the Series 2017 bonds taking place during the year ended June 30, 2018. Interest on long-term debt increased due to interest expense being incurred for the entire year.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial information is presented separately in the Balance Sheet – Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances.

At June 30, 2019, the School had a combined fund balance of \$12,046,397. The total combined fund balance was greater than the government wide net position, primarily because the total of the debt proceeds from the Series 2017 Bonds described in Note 6 to the financial statements have exceeded the total expenditures from inception to June 30, 2019, pertaining to the capital outlay, interest, principal retirement, debt issuance costs and other general and administrative expenses. For the year ended June 30, 2019, combined net changes in fund balances was a decrease of \$18,883,072, which was primarily the result of expenditures for current activities, debt service, and capital outlay exceeding revenues. The General Fund had a fund balance of \$618,171, which increased during the year by \$581,822 primarily as a result of general fund revenue and proceeds from debt issuance exceeding current general fund expenditures. The Capital Projects Fund had a fund balance of \$7,374,804, which decreased by \$17,344,166 primarily as a result of expenditures for capital outlay exceeding revenue. The Debt Service Fund had a fund balance of \$4,053,422, which decreased by \$2,120,728 primarily as a result of interest payments on long-term debt exceeding revenue. At June 30, 2019, the fund balances of the Capital Projects Fund and Debt Service Fund are restricted in use pursuant to certain requirements of the Series 2017 Bonds.

BUDGETARY COMPARISON SCHEDULE

During the year ended June 30, 2019, the School's actual general fund revenues were below the final budget by approximately \$184,000. This resulted primarily from a grant that was budgeted for \$525,000 that was not fully utilized but is expected to be fully utilized for the 2019-2020 school year. General fund expenditures were below the final budget by approximately \$42,000, primarily as a result of lower costs related to instruction, as the budget included books that were acquired but are carried in inventory as of June 30, 2019, to be used for the 2019-2020 school year. In addition, the budget included amounts for furniture and equipment and instruction related technology that were incurred but classified as capital outlay expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the School had capital assets with a balance of \$25,098,604. During the year ended June 30, 2019, the School was in the process of finalizing the Facility. The Facility is a multistory structure able to house approximately 1,300 students, as well as classrooms, offices, and related ancillary facilities. More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

Long-term Liabilities

At June 30, 2019, the School had \$39,850,113 in long-term liabilities. As of June 30, 2019, the long-term liabilities consist of the Series 2017 Bonds and a promissory note due to Downtown Doral Charter Elementary School, Inc. More detailed information about the School's long-term liabilities is presented in Note 6 to the financial statements.

SCHOOL YEAR 2019-2020

For the 2019-2020 school year, the School's original budget reflects the combined government fund revenues to be \$6,444,100. Budgeted combined government fund expenditures are expected to be \$6,315,838. The budget reflects an increase in combined government fund balances of \$128,262. The School's Facility was substantially completed in July 2019. The School opened with full enrollment for the 2019-2020 school year.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 7905 NW 53rd Street, Doral, Florida 33166.

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

STATEMENT OF NET POSITION

JUNE 30, 2019

ASSETS	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 279,382
Receivable - capital outlay and grant	381,520
Inventories	89,025
Restricted investments - Trustee	16,230,946
Capital Assets:	
Furniture and equipment	\$ 978,675
Land	3,800,000
Construction in progress	<u>20,319,929</u>
Total capital assets	<u>25,098,604</u>
Total assets	<u><u>\$ 42,079,477</u></u>
LIABILITIES	
Salaries payable and other accrued liabilities	\$ 25,809
Construction related liabilities	3,691,506
Interest payable	1,111,214
Unearned revenues	13,074
Due to Downtown Doral Charter Elementary School	92,873
Long-term debt:	
Due within one year:	
Promissory note - DDCES	\$ 605,113
Due in more than one year:	
Bonds payable	<u>39,245,000</u>
Total long-term debt	<u>39,850,113</u>
Total liabilities	<u>44,784,589</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	(2,239,909)
Unrestricted	<u>(465,203)</u>
Total net position (deficit)	<u>(2,705,112)</u>
Total liabilities and net position	<u><u>\$ 42,079,477</u></u>

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

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction	\$ 441,037	\$ -	\$ 51,445	\$ -	\$ (389,592)	\$ (389,592)
Professional development	1,400	-	-	-	(1,400)	(1,400)
Instruction related technology	11,081	-	308,409	-	297,328	297,328
Board	26,828	-	-	-	(26,828)	(26,828)
General administration	76,338	-	-	-	(76,338)	(76,338)
School administration	117,551	-	18,440	-	(99,111)	(99,111)
Facilities acquisition and construction	-	-	-	48,732	48,732	48,732
Fiscal services	14,342	-	-	-	(14,342)	(14,342)
Operation and maintenance of plant	24,371	-	-	-	(24,371)	(24,371)
Debt issuance costs and trustee fees	37,272	-	-	-	(37,272)	(37,272)
Interest on long-term debt	2,222,428	-	-	-	(2,222,428)	(2,222,428)
After school care	-	28,964	-	-	28,964	28,964
Total governmental activities	\$ 2,972,648	\$ 28,964	\$ 378,294	\$ 48,732	(2,516,658)	(2,516,658)
			General revenues:			
					648,463	648,463
					1,100	1,100
					464,466	464,466
					<u>1,114,029</u>	<u>1,114,029</u>
					(1,402,629)	(1,402,629)
					<u>(1,302,483)</u>	<u>(1,302,483)</u>
					<u>\$ (2,705,112)</u>	<u>\$ (2,705,112)</u>

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

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 279,382	\$ -	\$ -	\$ 279,382
Receivable - capital outlay and grant	373,408	8,112	-	381,520
Inventories	89,025	-	-	89,025
Restricted investments - Trustee	-	11,066,310	5,164,636	16,230,946
Due from Capital Projects Fund	8,112	-	-	8,112
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 749,927</u>	<u>\$ 11,074,422</u>	<u>\$ 5,164,636</u>	<u>\$ 16,988,985</u>
LIABILITIES AND FUND BALANCE				
Salaries payable and other accrued liabilities	\$ 25,809	\$ -	\$ -	\$ 25,809
Construction related liabilities	-	3,691,506	-	3,691,506
Interest payable	-	-	1,111,214	1,111,214
Due to General Fund	-	8,112	-	8,112
Unearned revenues	13,074	-	-	13,074
Due to Downtown Doral Charter Elementary School	92,873	-	-	92,873
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>131,756</u>	<u>3,699,618</u>	<u>1,111,214</u>	<u>4,942,588</u>
Fund balance:				
Nonspendable	89,025	-	-	89,025
Restricted	-	7,374,804	4,053,422	11,428,226
Committed	-	-	-	-
Unassigned	529,146	-	-	529,146
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>618,171</u>	<u>7,374,804</u>	<u>4,053,422</u>	<u>12,046,397</u>
Total liabilities and fund balance	<u>\$ 749,927</u>	<u>\$ 11,074,422</u>	<u>\$ 5,164,636</u>	<u>\$ 16,988,985</u>

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

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

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

JUNE 30, 2019

Total fund balance – governmental funds \$ 12,046,397

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. These assets consist of:

Furniture and equipment	\$	978,675	
Land		3,800,000	
Construction in progress		<u>20,319,929</u>	
Total capital assets			25,098,604

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Those liabilities consist of:

Bonds payable		(39,245,000)	
Promissory note - DDCES		<u>(605,113)</u>	
			<u>(39,850,113)</u>

Total net position – governmental activities \$ (2,705,112)

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

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

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

FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
State sources	\$ 648,463	\$ -	\$ -	\$ 648,463
Federal sources	373,294	-	-	373,294
Capital outlay	-	48,732	-	48,732
After school care	28,964	-	-	28,964
Contributions and grants	6,100	-	-	6,100
Investment income	-	362,766	101,700	464,466
Total revenues	<u>1,056,821</u>	<u>411,498</u>	<u>101,700</u>	<u>1,570,019</u>
EXPENDITURES				
Current:				
Instruction	441,037	-	-	441,037
Professional development	1,400	-	-	1,400
Instruction related technology	11,081	-	-	11,081
Board	26,828	-	-	26,828
General administration	76,338	-	-	76,338
School administration	117,551	-	-	117,551
Fiscal services	14,342	-	-	14,342
Operation and maintenance of plant	24,371	-	-	24,371
Debt service				
Debt issuance costs and trustee fees	37,272	-	-	37,272
Principal payments	4,887	-	-	4,887
Interest on long-term debt	-	-	2,222,428	2,222,428
Capital outlay				
Facilities, construction, technology, furniture and equipment	405,820	17,679,736	-	18,085,556
Total expenditures	<u>1,160,927</u>	<u>17,679,736</u>	<u>2,222,428</u>	<u>21,063,091</u>
Excess (Deficiency) of revenues over (under) expenditures	(104,106)	(17,268,238)	(2,120,728)	(19,493,072)
Other financing sources:				
Proceeds from long-term debt issuance	610,000	-	-	610,000
Transfers in	75,928	-	-	75,928
Transfers out	-	(75,928)	-	(75,928)
Net changes in fund balances	581,822	(17,344,166)	(2,120,728)	(18,883,072)
Fund balance at beginning of year	<u>36,349</u>	<u>24,718,970</u>	<u>6,174,150</u>	<u>30,929,469</u>
Fund balance at end of year	<u>\$ 618,171</u>	<u>\$ 7,374,804</u>	<u>\$ 4,053,422</u>	<u>\$ 12,046,397</u>

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

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC.
DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC.
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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2019

Net changes in fund balances – total governmental funds **\$ (18,883,072)**

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

Capital outlay is reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation and amortization.

The amount by which capital outlays exceed depreciation and amortization is calculated as follows:

Capital outlays:			
Furniture and equipment	\$	978,675	
Construction in progress		<u>17,106,881</u>	
Total capital outlays			<u>18,085,556</u>

The issuance of long-term debt provides current financial resources of governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Nether transaction, however, has any effect on net position.

For the year ended June 30, 2019, these consists of :

Proceeds - promissory note DDCES	(610,000)	
Repayments - promissory note DDCES	<u>4,887</u>	
		<u>(605,113)</u>

Change in net position of governmental activities **\$ (1,402,629)**

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Downtown Doral Charter Upper School, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. The School was organized in November 2012, and its general operating authority is contained in Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation's Board of Directors. The School's mission is to provide its students with a comprehensive dual curriculum and bicultural/bilingual education through language acquisition and innovative programs, facilitated by a highly qualified staff promoting students' academic excellence creating future world leaders.

The 2018-2019 school year was the School's first year of operations. The School is a multicultural, multilingual school which served 100 students during the 2018-2019 school year in the sixth grade. The School is expected to grow to serve an estimated 1300 students in grades sixth through twelfth. The School is located in the northwest corner of 79th Avenue and 53rd Street, Doral, Florida.

In December 2017, the School entered into a Charter School Contract (the "Charter") by and between the School and the School Board of Miami-Dade County (the "School Board"). The term of the Charter runs from July 1, 2018 through June 30, 2023, and may be renewed for an additional term of five years based on a program review performed by the School Board to determine if certain criteria were met. During the term of the Charter, the School Board may also terminate the Charter for certain reasons described in the Charter. In the event of termination of the Charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is sponsored by the School Board and is considered to be a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School follows generally accepted accounting principles applicable to state and local governmental units.

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

Recent accounting pronouncements

The School has adopted guidance issued by the GASB that established fund balance classifications that comprise a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This guidance improves the usefulness of fund balance information by clarifying the definitions of existing governmental fund types and providing additional classifications of fund balance. The School implemented Governmental Accounting Standards Board (GASB) Statements 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and 65, *Items Previously Reported as Assets and Liabilities*. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position.

Basis of presentation

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

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. These statements report all activities of the School and its component units, and do not include fiduciary funds. Any internal interfund activity has been eliminated from these financial statements. The statement of net position includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The 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 capital grants specific to capital outlay and charges to recipients for goods and services associated with programs. Other revenue sources not properly included with program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School. The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no major business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

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

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund – to account for the proceeds of specific revenue sources, such as Federal grants that are restricted by law or administrative action to expenditure for specific purposes. For the year ended June 30, 2019, the School did not have a special revenue fund.
- Capital Projects Fund – to account for the financial resources accumulated that are restricted for capital outlays.
- Debt Service Fund – to account for the financial resources accumulated for the purpose of servicing and setting aside reserves for payments related to principal and interest.

For purposes of these statements, the general fund, capital projects fund, and debt service fund constitute major funds.

Basis of accounting

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

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

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

Use of estimates

In preparing the financial statements, Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of the date of the statement of net position and affect revenues and expenditures for the year presented. Actual results could differ significantly from those estimates.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

Budgetary basis accounting

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

Deposits 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/saving accounts.

Restricted Investments – Trustee

At June 30, 2019, the School had restricted investments held in trust accounts. The restrictions are the result of the establishment of certain accounts pursuant to the Indenture of Trust agreement, with a financial institution that serves as “Trustee.” As of June 30, 2019, the accounts established had been the Project Fund, to pay costs of project construction and other capital outlay; a Debt Service Reserve account; a Bond Fund account to service the debt; and certain other accounts established as detailed in the Indenture of Trust Agreement. The above Trustee accounts are accounted within the General Fund, Capital Projects Fund and Debt Service Fund under the caption “Restricted Investments – Trustee.”

Inventories

Inventories consist of expendable unused books and instructional materials held by the School, which are carried at cost using the first-in, first-out method using the consumption method.

Capital assets, depreciation and amortization

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Capital assets reflected on the statement of net position are reported at cost, or at the acquisition value of the assets if received via a gift, and net of accumulated depreciation and amortization. For purposes of recording capital assets, the School has a capitalization threshold of \$1,000.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

Income Taxes

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

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service or the applicable state taxing authority. The School believes all of its tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been evaluated following the same "more likely than not" measurement threshold. The School has not accrued any interest and or penalties related to income taxes. The School is subject to audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Revenue

Revenues for current operations are received primarily from the School Board of Miami-Dade County, Florida pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education ("FDOE") by the state legislature. In accordance with the funding provisions of the Charter and Section 1002.33, Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the 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 reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. This administrative fee is calculated on the FEFP revenue up to 250 students. The administrative fee charged by the School Board during the year ended June 30, 2019, was approximately \$32,000.

Revenues received from the School Board of Miami-Dade County, Florida are recognized when considered earned, which is generally in the month when the moneys are received.

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JUNE 30, 2019 (Continued)

The School may receive 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 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 also receives revenue related to charges for services for after school care programs. Revenues related to such charges for services are recognized when considered earned, which is also generally in the month when the fees are collected.

Net Position and Fund Balance Classifications

Government-wide financial statements

Net position is displayed in three components:

1. Net investment in capital assets – consists of capital assets net of accumulated depreciation and amortization and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
2. 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.
3. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

Generally accepted accounting principles define the different types of fund balances that a governmental entity must use for financial reporting purposes. Fund balance amounts are to be properly reported within one of the fund balance categories listed below:

1. Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans, and notes receivable, and property held for sale (unless the proceeds are restricted committed or assigned). All nonspendable fund balances at year end relate to assets not in spendable form.
2. Restricted – fund balance associated with amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. At June 30, 2019, the School had restricted fund balances pertaining to bond covenants.
3. 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. Committed funds can only be uncommitted by formal action of the School's Board of Directors. The Board of Directors is considered to be the highest level of authority for the School.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

4. Assigned – fund balance classification includes amounts that 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.
5. Unassigned – fund balance classification that is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications.

Fund balance spending policy

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

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 expense or expenditure until then. The School has no items that meet this criterion. 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 revenue until then. The School has no items that meet this criterion.

Due to and from Governmental Funds

From time to time, the School may have interfund activity. This activity is eliminated in the government wide financial statements.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

NOTE 2 – CASH, CASH EQUIVALENTS AND RESTRICTED INVESTMENTS – TRUSTEE

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the School's deposits may not be recoverable. The School's unrestricted cash is deposited in a local bank that is insured under the Federal Deposit Insurance Corporation (FDIC). Under FDIC rules, the School is entitled to aggregate insurance coverage of \$250,000 per financial institution. At June 30, 2019, unrestricted cash balance exceeded FDIC insurance coverage by \$29,382. The School has not formally adopted an investment policy regarding custodial credit risk; however, Management of the School believes the stability and financial strength of the local bank significantly reduces the custodial credit risk.

The School's restricted deposits held by the Trustee are considered to be backed by eligible collateral in the name of the School, and as such, considered by Management not to be exposed to custodial credit risk.

Credit Risk

Credit risk arises from the potential default of investments that are not financially sound. In connection with the issuance of the bond debt described in Note 6, the School was required to deposit the proceeds with the Trustee. The Indenture of Trust agreement addresses credit risk by only permitting the Trustee to invest funds for the School in qualified investments as defined in the Indenture. The Trustee invests in a money market fund with a portfolio composition consisting of U.S. Government obligations and repurchase agreements collateralized by U.S. Government obligations. The money market fund had a Standard and Poors (S&P) rating of AAAm at June 30, 2019.

Interest Rate Risk

The School manages its exposure to declines in fair values by substantially limiting the weighted average maturity on all investments to one year or less. The calculated weighted average maturity for all investments held by the money market fund was 25 days.

Measurement

In accordance with GASB Statement No. 79, the School's investments meet the necessary criteria and are reported at amortized cost. Therefore, such investments are not measured at fair value. However, due to the investments short-term maturity, amortized cost approximates fair value.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

NOTE 3 – CAPITAL ASSETS

The following table reflects the activity for the year ended June 30, 2019, related to the School's capital assets:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Furniture and equipment	\$ -	\$ 978,675	\$ -	\$ 978,675
Land	3,800,000	-	-	3,800,000
Construction in progress	3,213,048	17,106,881	-	20,319,929
Total capital assets	<u>7,013,048</u>	<u>18,085,556</u>	<u>-</u>	<u>25,098,604</u>
Less accumulated depreciation				
Furniture and equipment	-	-	-	-
Technology equipment	-	-	-	-
Total accumulated depreciation and amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 7,013,048</u>	<u>\$ 18,085,556</u>	<u>\$ -</u>	<u>\$ 25,098,604</u>

For the year ended June 30, 2019, the School's capital assets had not been placed in service; accordingly, none of the capital assets required depreciation.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

At June 30, 2019, the School had construction in progress associated with the construction of the School's facility (the "Facility"). The Facility is a multistory structure and will house approximately 1,300 students, as well as classrooms, offices, and related ancillary facilities. The Facility was substantially completed in July 2019. The financing of the Facility is from Education Facilities Revenue Bonds, which were issued on December 1, 2017. The proceeds of the bonds were loaned to the School. Refer to Note 6 for additional information regarding the bond issuance.

NOTE 4 – TRANSACTIONS WITH DDCES AND AFFILIATED ENTITIES OF THE PRESIDENT OF DDCES

At June 30, 2019, the School owed \$92,873 to Downtown Doral Charter Elementary School, Inc. ("DDCES") for certain expenditures DDCES paid on its behalf and certain advances the School received from DDCES. The School and DDCES are affiliated entities since they are overseen by the same Head of School, managed by the School Board, and have certain board members in common.

At June 30, 2019, the School also owed DDCES \$605,113 for a note payable, which is further described in Note 6.

During the year ended June 30, 2019, the School had a sublease agreement with DDCES for the use of certain classrooms and the shared use of certain labs and office space. The sublease was for the period from July 1, 2018 through June 30, 2019, while the School was constructing the Facility. The School paid \$23,000 to DDCES, which was the base rent under the sublease agreement for the period.

The land on which the Facility is being constructed was acquired from an entity that is affiliated with the President of DDCES in December 2017, for \$3,800,000. The President of DDCES is not a member of the School's Board of Directors, was not a member during the period of the construction of the Facility, and continues not to be a member. In addition, an entity also associated with the President of DDCES performed construction management services for the School. Included in construction in progress at June 30, 2019, are fees for such construction management services incurred during the year then ended, which totaled approximately \$473,000. At June 30, 2019, the fees for the construction management services had not been paid and are included in construction related liabilities.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

NOTE 5 – AGREEMENTS AND TRANSACTIONS WITH THE SCHOOL BOARD

Management Agreement

In December 2017, the School entered into a Management Agreement, with the School Board that provides operational, management and administrative services to the School. The School Board coordinates the management and administrative duties required to operate the School. The School Board reports to the School's Board of Directors and advises it of the systems established for administrative duties. The School Board's services include, but are not limited to, staffing recommendations, human resource coordination, regulatory compliance, corporate records maintenance, and the bookkeeping, budgeting, cash management and financial reporting required by the Board of Directors. The Management Agreement provides that the School shall pay the School Board a management fee of \$440 per student FTE up to 400 students, and \$110 for each FTE above 400. The term of the Management Agreement shall be in effect the same as those for the term of the Charter unless earlier terminated. Management fees incurred under the management agreement for the year ended June 30, 2019, totaled approximately \$44,000.

NOTE 6 – LONG-TERM DEBT

Series 2017 Bonds

In December 2017, the Florida Development Finance Corporation Educational Facilities Revenue Bonds, Series 2017C, in the aggregate principal amount of \$38,990,000 (the "Series 2017C Bonds"), and the Florida Development Finance Corporation Taxable Educational Facilities Revenue Bonds, Series 2017D, in the aggregate principal amount of \$255,000 (the "Series 2017D Bonds" and together with the Series 2017C Bonds, the "Series 2017 Bonds") were issued. The proceeds of the Series 2017 Bonds were loaned by the Florida Development Finance Corporation (the "Issuer") to the School, and were used by the School (i) to acquire, construct, and equip certain charter school facility (the "Facility") (ii) to fund a Debt Service Reserve Fund for the Series 2017 Bonds, (iii) to fund capitalized interest with respect to the Series 2017 Bonds, and (iv) to pay the costs of issuance of the Series 2017 Bonds. The Bonds were issued pursuant to a certain Indenture of Trust dated as of December 1, 2017, by and between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee").

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

The following table describes the maturity dates and the interest rates on the Series 2017 Bonds:

Series 2017C Bonds		
Final Maturity Date	Principal Amount	Interest Rate
July 1, 2027	\$ 4,215,000	5.15%
July 1, 2037	\$ 12,695,000	5.65%
July 1, 2047	\$ 22,080,000	5.75%

Series 2017D Bonds (Taxable)		
Final Maturity Date	Principal Amount	Interest Rate
July 1, 2020	\$ 255,000	7.25%

In connection with the Project, the School entered into a Loan Agreement (the "2017 Loan Agreement"), dated as of December 1, 2017, pursuant to which the issuer loaned the proceeds of the Series 2017 Bonds to the School. The School's payment of principal and interest will be used to pay principal of and interest on the Series 2017 Bonds. In order to secure the payment of the Series 2017 Bonds, the Issuer assigned all of its rights and interest in the 2017 Loan Agreement to the "Trustee" pursuant to an assignment contained in the Indenture of Trust. The obligations of the School under the 2017 Loan Agreement will be secured by (i) a mortgage interest in the Facilities (ii) an assignment of and security interest in certain School revenues, and (iii) a security interest in all other assets of the Borrower related to the Project, excluding property prohibited by law from being pledged as security because it has been purchased or refinanced with federal or state grant funds.

Financial Covenants

Beginning with the fiscal year ending June 30, 2021, and ending with the fiscal year ending June 30, 2022, the School is required to maintain a minimum debt service coverage ratio (DSCR), as defined in the 2017 Loan Agreement, of 1.00. The DSCR increases to 1.05 for the fiscal year ending June 30, 2022, and 1.10 for the fiscal year ending June 30, 2023, and each fiscal year thereafter. Compliance with the DSCR is to be tested at the end of each fiscal year.

Beginning with the fiscal year ending June 30, 2020 through June 30, 2022, the School is required by the 2017 Loan Agreement to have available cash on hand, as defined thereon, of 35 days at the end of the fiscal year. The number of days increases to 40 days for the year ending June 30, 2023, and 45 days for the year ending June 30, 2024, and each fiscal year end thereafter.

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC. A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

Debt Service Reserve Fund

The Indenture of Trust agreement requires the School to maintain a Debt Service Reserve Fund with the Trustee. At June 30, 2019, the amount held in the Debt Service Reserve Fund was \$1,493,449. The amount required to be held in the Debt Service Reserve Fund is established pursuant to a certain formula described in the Indenture of Trust agreement, as amended and supplemented by a Series 2017 Supplemental Indenture of Trust, dated December 1, 2017, by and between the Issuer and the Trustee. This amount is included with restricted investments - trustee at June 30, 2019.

Promissory Note – DDCES

In February 2019, the School borrowed \$610,000 from DDCES (Note 4) under a promissory note issued. The promissory note does not bear interest, and the entire amount due is payable in February 2020. The balance of this promissory note as of June 30, 2019, was \$605,113.

The following is a schedule of long term debt activity during the year ended June 30, 2019:

Balance – beginning of year	\$ 39,245,000
Additions:	
Promissory note - DDCES	610,000
Reductions:	
Repayment of promissory note - DDCES	<u>(4,887)</u>
Balance – end of year	<u>\$ 39,850,113</u>
Amount due within one year	<u>\$ 605,113</u>

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC. A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

The following table lists the combined principal and interest due until maturity of the long-term debt for each of the subsequent five fiscal years and in five-year increments thereafter:

Year Ending June 30,	Principal Due			Total Interest Incurred
	Promissory Note - DDCES	Series 2017 Bonds	Total Principal	
2020	\$ 605,113	\$ -	\$ 605,113	\$ 2,222,428
2021	-	255,000	255,000	2,203,940
2022	-	-	-	2,203,940
2023	-	760,000	760,000	2,203,940
2024	-	800,000	800,000	2,164,800
2025 - 2029	-	4,670,000	4,670,000	10,157,069
2030 - 2034	-	6,115,000	6,115,000	8,712,244
2035 - 2039	-	8,055,000	8,055,000	6,775,707
2040 - 2044	-	10,630,000	10,630,000	4,190,313
2045 - 2047	-	7,960,000	7,960,000	932,651
Total	\$ 605,113	\$ 39,245,000	\$ 39,850,113	\$ 41,767,032

The debt service payments for the Series 2017 bonds on the above table are due on January 1st and July 1st of each year. Payments on July 1st are the first debt service payment due for the School's fiscal year, which ends on June 30.

Pursuant to the requirements of the Indenture of Trust, the School is required to make monthly transfers from the General Fund to the Debt Service Fund in order to accumulate funds for the payment of debt service on the Bonds. The School transfers from the General Fund to the Debt Service Fund moneys for the purpose of paying long-term debt.

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC. A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

NOTE 7 – STATE AND PROGRAM REVENUES

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

State Sources:

District School Board of Miami-Dade County, Florida:

General:

Florida Education Finance Program	\$ 494,205
Class size reduction	92,699
Supplemental academic instruction	33,768
ESE guaranteed allocation	4,526
Instructional materials	7,629
Safe schools	2,799
Other	12,837
Total General	<u>648,463</u>

Program:

Charter School Capital Outlay	48,732
Total State Sources	<u>\$ 697,195</u>

The following is a schedule of Federal source revenue and program revenues which offset expenses reported on the statement of activities for the year ended June 30, 2019:

Federal Sources:

Grant - Charter Schools Program (CSP)	<u>\$ 378,294</u>
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Program Revenues:

Charges for Services:

Afterschool services fees	<u>\$ 28,964</u>
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These program revenues offset the given functions as they are directly connected with those respective functions.

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC. A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

NOTE 8 – INTERFUND TRANSFERS AND BALANCES

The following is a schedule of the activity for interfund transfers during the year ended June 30, 2019:

<u>Description of Transfer</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>
Transfer from Capital Projects Fund to General Fund for capital outlay expenditures reimbursements.	<u>\$ 75,928</u>	<u>\$ (75,928)</u>
Net Transfers	<u><u>\$ 75,928</u></u>	<u><u>\$ (75,928)</u></u>

The following is a schedule of interfund balances due to and from the General Fund and Capital Projects Fund as of June 30, 2019:

<u>Description and Purpose of Amounts Due to and From</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Combined Total</u>
Due from Capital Projects Fund for capital outlay expenditures.	\$ 8,112	\$ -	\$ 8,112
Due to General Fund for capital outlay expenditures.	-	(8,112)	(8,112)
Net Due to and From	<u><u>\$ 8,112</u></u>	<u><u>\$ (8,112)</u></u>	<u><u>\$ -</u></u>

Amounts above are expected to be repaid within one year.

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC. A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 (Continued)

NOTE 9 – DEFINED CONTRIBUTION PLAN

The School's employees are eligible to participate in a 401(k) Profit Sharing Plan ("the Plan"), which was made available by the School's payroll provider. The Plan is considered a Defined Contribution Plan and is available to employees that meet certain eligibility criteria. During the year ended June 30, 2019, the School contributed to the Plan approximately \$5,100. The name of the 401(k) Plan is ADP Total Source Retirement Plan.

NOTE 10 – 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 historically not exceeded insurance coverage. In addition, for the year ended June 30, 2019, there were no reductions in insurance coverage from those in the prior year.

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC. A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION**

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Original	Budgeted Final	GAAP Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
State sources	\$ 630,000	\$ 687,333	\$ 648,463	\$ (38,870)
Federal sources	175,000	525,000	373,294	(151,706)
After school care	28,800	28,800	28,964	164
Contributions and grants	-	-	6,100	6,100
	<u>833,800</u>	<u>1,241,133</u>	<u>1,056,821</u>	<u>(184,312)</u>
EXPENDITURES				
Current:				
Instruction	518,698	592,871	441,037	151,834
Instructional support	3,940	3,941	-	3,941
Professional development	1,200	-	1,400	(1,400)
Instruction related technology	5,000	337,655	11,081	326,574
Board	37,000	35,500	26,828	8,672
General administration	75,500	75,769	76,338	(569)
School administration	90,501	95,501	117,551	(22,050)
Fiscal services	10,957	10,141	14,342	(4,201)
Operation and maintenance of plant	23,000	23,000	24,371	(1,371)
After school care	5,000	-	-	-
Debt service	28,488	28,488	42,159	(13,671)
Capital outlay	-	-	405,820	(405,820)
Total expenditures	<u>799,284</u>	<u>1,202,866</u>	<u>1,160,927</u>	<u>41,939</u>
Excess (Deficiency) of revenues over (under) expenditures	34,516	38,267	(104,106)	(142,373)
Other financing sources:				
Proceeds from long-term debt issuance			610,000	610,000
Transfers in	-	-	75,928	75,928
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	<u>\$ 34,516</u>	<u>\$ 38,267</u>	<u>581,822</u>	<u>\$ 543,555</u>
Fund balance at beginning of year			<u>36,349</u>	
Fund balance at end of year			<u>\$ 618,171</u>	

See report of independent auditors and notes to budgetary comparison schedule.

**DOWNTOWN DORAL CHARTER
UPPER SCHOOL, INC. A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION**

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2019

NOTES TO BUDGETARY COMPARISON SCHEDULE

The School's budgets presented in the accompanying budgetary comparison schedule are annually adopted and prepared using the modified accrual basis of accounting. Amendments to the School's budgets can only be made with the approval of the board of directors.

For the budget, the School does not use a capital outlay function, instead, the School will budget for capital outlay within other budgetary function categories. Under generally accepted accounting principles in the United States of America (GAAP), actual capital outlay expenditures are to be reported separately from other functions, which may result in variances in the budgetary comparison schedule if the budgetary functions include capital outlay expenditures. The budget categories are generally consistent with GAAP except for capital outlay.

Sotolongo & Associates, P.A.

Certified Public Accountants

Report of Independent Auditors 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
Downtown Doral Charter
Upper School, Inc.
Doral, Florida

We have audited, 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, the accompanying financial statements of the governmental activities and each major fund of Downtown Doral Charter Upper School, Inc. (the "School"), a charter school sponsored by the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 10, 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 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Sotolongo & Associates, P.A.

Miami, Florida
September 10, 2019

ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE FLORIDA AUDITOR GENERAL,
CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS AND SIMILAR
ENTITIES, THE FLORIDA VIRTUAL SCHOOL, AND VIRTUAL
INSTRUCTION PROGRAM PROVIDERS*

Sotolongo & Associates, P.A.

Certified Public Accountants

To the Board of Directors of
Downtown Doral Charter
Upper School, Inc.
Doral, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities and each major fund of Downtown Doral Charter Upper School, Inc., a charter school sponsored by the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2019, and have issued our report thereon dated September 10, 2019.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated, September 10, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Since the year ended June 30, 2019, was the School's first year of operations, there have not been any preceding annual financial audit reports.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity is Downtown Doral Charter Upper School, Inc. and the school code assigned to it is 13-7044.

Financial Condition and Management

Section 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 Downtown Doral Charter Upper School, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Downtown Doral Charter Upper School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the Downtown Doral Charter Upper School, Inc. It is management's responsibility to monitor the Downtown Doral Charter Upper 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 performed the financial condition assessment procedures for the year ended June 30, 2019, which included calculation and analysis of certain financial indicators we considered relevant to the School. No deteriorating financial condition was noted as a result of this assessment.

It should be noted that although there was a deficit in total net position as shown in the government wide statement of net position as of June 30, 2019, most of the liabilities reflected thereon are long-term. In addition, at June 30, 2019, the School's general fund and combined governmental funds balance had a surplus of unassigned fund balance sufficient to cover transfers associated with debt service in the near term and payments of current liabilities.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the Downtown Doral Charter Upper 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 Downtown Doral Charter Upper School, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and the School Board of Miami-Dade County, and is not intended to be and should not be used by anyone other than these specified parties.



Miami, Florida
September 10, 2019