

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Financial Statements
with Independent Auditor's Reports Thereon**

June 30, 2019



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

	<u>Page</u>
Management's Discussion and Analysis	1 – 6
Independent Auditor's Report	7 – 9
Basic Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to Financial Statements	16 – 25
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	26
Budgetary Comparison Schedule – Special Revenue Fund	27
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Expenditures of Federal Awards	29
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30 – 31
Independent Auditor's Report on Compliance for Each Major Program And on Internal Control Over Compliance Required by the Uniform Guidance	32 – 33
Schedule of Findings and Questioned Costs	34
Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities</i>:	
Management Letter	35 – 37
Findings	38 – 39
Management Response to Findings	40 - 43

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Team Success A School of Excellence, Inc. (the "School") offers the following narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2019. Readers are encouraged to use this information in conjunction with information furnished in the School's financial statements. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplemental information.

FINANCIAL AND OTHER HIGHLIGHTS

- ❖ For the fiscal year ended June 30, 2019, the School's revenues exceeded expenses by \$386,000 before the special item of \$103,000.
- ❖ There is a special item of approximately \$103,000 which decreased net position as described in Note 2. The School ended the year with approximately \$990,000 in net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the understanding of the financial condition of School.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and the current year changes. The net position is the difference between the School's total assets and total liabilities. Measuring net position is one way to evaluate the School's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities 2) business-type activities, and 3) component units. The governmental activities include the School's basic services. The business-type activities are those services that the School charges for not directly related to the School's mission. For the year ended June 30, 2019, the School had no business-type activities or component units.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. All of the operations of the School are presented in governmental funds only.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The School's basic services are accounted for in governmental funds. These funds focus on how assets that can readily be converted into cash flow in and out, and what monies are left at year-end be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view of the financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts annual budgets for its general fund and special revenue fund as required by the Florida Statutes. The budgets are legally adopted by management of the School and its Board. Budgetary comparison schedules have been included as part of the required supplementary information. The budgetary comparison schedules show three columns: 1) the original and final budget as adopted by the board, 2) the actual resources, charges and ending balances in the general fund, and 3) the variance between the final budget and the actual resources and charges.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to the full understanding of the information reported in the government-wide and fund financial statements. The notes to the financial statements start on page 16 of this report.

Other Reports

A separate report will be issued to include the information required by the U.S. Office of Management and Budget ("OMB") Uniform Guidance: Schedule of Expenditures of Federal Awards, Independent Auditor's Report on Compliance For Each Major Program and on Internal Controls over Compliance Required by Uniform Guidance and Schedule of Findings and Questioned Costs. In addition, it also includes the Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

Net Position

The School's combined net position as of June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Assets:			
Current assets	\$ 948,366	\$ 1,077,050	\$ (128,684)
Capital assets, net	526,813	57,686	469,127
Total assets	<u>1,475,179</u>	<u>1,134,736</u>	<u>340,443</u>
Liabilities:			
Current and other liabilities	485,158	427,826	57,332
Total liabilities	<u>485,158</u>	<u>427,826</u>	<u>57,332</u>
Net Position:			
Investment in capital assets, net of related debt	526,813	57,686	469,127
Restricted			
Food services	243,062	243,062	-
Unrestricted	220,146	406,162	(186,016)
Total net position	<u>\$ 990,021</u>	<u>\$ 706,910</u>	<u>\$ 283,111</u>

The change in current assets is due to a decrease in cash and cash equivalents. Capital assets increased due to construction in progress and land purchase. Current and other liabilities increased due to an increase in accounts payable. The change in total net position is due to the results of current year operations and the special item.

Change in Net Position

The School's total revenues exceeded expenses by approximately \$283,000 after potential loss fiscal 2019—see table below.

	2019	2018	Change
Revenues:			
Federal sources	\$ 1,280,953	\$ 1,191,082	\$ 89,871
State and local sources	6,825,075	5,401,176	1,423,899
Contributions and other revenues	31,964	167,718	(135,754)
Total revenues	<u>8,137,992</u>	<u>6,759,976</u>	<u>1,378,016</u>
Expenses:			
Instruction	3,626,590	2,804,029	822,561
Pupil personnel services	221,726	302,006	(80,280)
Board	60,558	23,362	37,196
General administration	116,585	87,592	28,993
School administration	2,220,345	1,987,171	233,174
Food services	545,167	514,327	30,840
Transportation services	20,254	24,182	(3,928)
Operation of plant	940,582	978,706	(38,124)
Total expenses	<u>7,751,807</u>	<u>6,721,375</u>	<u>1,030,432</u>
Special Item			
Misappropriations of assets	(103,074)	(266,711)	163,639
Change in net position	<u>\$ 283,111</u>	<u>\$ (228,110)</u>	<u>\$ 511,221</u>

State and local sources increased due to an increase in student enrollment. The School's enrollment has increased to 775 students at the end of 2019, as compared to 688 in 2018. The change in instruction, school administration and operation of plant is due to an increase in salaries and related benefits due to the increase in student population.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The focus of School's governmental funds is to provide information on near term inflows, outflows, and balances of usable resources. Such information is useful in assessing School's financing requirements. Specifically, unrestricted fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the School completed the year, its governmental funds reported a combined fund balance of \$463,208.

General and Special Revenue Funds Budgetary Highlights

Budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize changes in funding amounts; 3) changes in appropriations that become necessary to maintain services.

In the general fund, the actual total revenues exceeded budgeted amounts by approximately \$264,000. Expenditures were approximately \$414,000 more than budgeted amounts.

In the special revenue fund, total expenditures exceeded budget amounts by approximately \$93,000, primarily due to unbudgeted expenses during 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal 2019, the School had invested approximately \$527,000, in capital assets, net of accumulated depreciation of approximately \$332,000.

	Governmental Activities		
	2019	2018	Change
Capital assets:			
Furniture, fixtures and equipment	\$ 263,774	\$ 263,774	\$ -
Leasehold improvements	100,488	100,488	-
Vehicles	26,214	1,719	24,495
Land	50,000	-	50,000
Construction in Progress	418,397	-	418,397
Total	858,873	365,981	492,892
Accumulated depreciation	(332,060)	(308,295)	(23,765)
Capital assets, net	<u>\$ 526,813</u>	<u>\$ 57,686</u>	<u>\$ 469,127</u>

More detailed information about the School's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budget Highlights for the Fiscal Year Ended June 30, 2020

Amounts available for appropriation in the general fund will be approximately \$7.05 million, an increase of approximately \$2.99 million from fiscal 2019 actual revenues. The change is due to the anticipated increase in student enrollment with additional space.

Budgeted expenditures are expected to increase to approximately \$9 million, an increase of approximately \$4 million. The change is due primarily to an increase in overall operating expense resulting from the increase in student population and additional facilities.

If these estimates are realized, the School's general fund balance is expected to increase in fiscal 2019.

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 202 13th Avenue East, Bradenton, FL 34208



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of Team Success A School of Excellence, Inc.
a Charter School and Component Unit of the District
School Board of Manatee County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Team Success A School of Excellence, Inc. (the "School"), a charter school and component unit of the District School Board of Manatee 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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of 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.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the school incurred a loss in year ended June 30, 2019 due to misappropriation of funds initiated in the prior year. An internal investigation and an independent qualified professional conducted specific procedures to quantify the amount of loss with the information known. Due to the nature of these circumstances, there may be additional information after this date that could require a change in the future. Therefore, our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension liability on pages 1 - 6 and 36 - 40 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on page 28 is presented for purposes of additional analysis as required by U.S. Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 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.

McCrady & Associates, PLLC

Altamonte Springs, Florida
October 30, 2019

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Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

Statement of Net Position

June 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 538,490
Due from other agencies	227,165
Prepaid expenses	182,711
Capital assets:	
Land	50,000
Construction in progress	418,397
Furniture, fixtures, and equipment	263,774
Leasehold improvements	100,488
Vehicles	26,214
Less accumulated depreciation	<u>(332,060)</u>
Total capital assets, net	<u>526,813</u>
Total assets	<u><u>\$ 1,475,179</u></u>
LIABILITIES	
Accounts payable and accrued expenses	<u>\$ 485,158</u>
Total liabilities	<u>485,158</u>
NET POSITION	
Invested in capital assets, net of related debt	526,813
Restricted	
Food services	243,062
Unrestricted	<u>220,146</u>
Total net position	<u><u>\$ 990,021</u></u>

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

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

Statement of Activities

For the Year Ended June 30, 2019

	Program Specific Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Expenses					
Governmental Activities:					
Instruction	\$ 3,626,590	\$ -	\$ 690,321	\$ -	\$ (2,936,269)
Pupil personnel services	221,726	-	-	-	(221,726)
Board	60,558	-	-	-	(60,558)
General administration	116,585	-	-	-	(116,585)
School administration	2,220,345	-	-	-	(2,220,345)
Food services	545,167	-	590,632	-	45,465
Transportation services	20,254	-	-	-	(20,254)
Operation of plant	940,582	-	-	435,764	(504,818)
Total primary government	<u>\$ 7,751,807</u>	<u>\$ -</u>	<u>\$ 1,280,953</u>	<u>\$ 435,764</u>	<u>(6,035,090)</u>
General revenues:					
State and local sources				6,389,311	6,389,311
Contributions and other revenues				31,964	31,964
Total general revenues				6,421,275	6,421,275
Net changes in net assets				386,185	386,185
Special item					
Misappropriations of School assets				(103,074)	(103,074)
				283,111	283,111
Net position at beginning of year				706,910	706,910
Net position at end of year				<u>\$ 990,021</u>	<u>\$ 990,021</u>

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

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

Balance Sheet - Governmental Funds

June 30, 2019

	General Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 295,428	\$ -	\$ 243,062	\$ 538,490
Due from other agency	12,330	41,360	173,475	227,165
Prepaid expenses	182,711	-	-	182,711
Due from capital projects fund	41,360	-	-	41,360
Due from special revenue fund	173,475	-	-	173,475
Total assets	<u>\$ 705,304</u>	<u>\$ 41,360</u>	<u>\$ 416,537</u>	<u>\$ 1,163,201</u>
LIABILITIES				
Accounts payable and accrued expenditures	\$ 485,158	\$ -	\$ -	\$ 485,158
Due to general fund	-	41,360	173,475	214,835
Total liabilities	<u>485,158</u>	<u>41,360</u>	<u>173,475</u>	<u>699,993</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenses	182,711	-	-	182,711
Spendable:				
Unassigned	<u>37,435</u>	<u>-</u>	<u>243,062</u>	<u>280,497</u>
Total fund balances	<u>220,146</u>	<u>-</u>	<u>243,062</u>	<u>463,208</u>
Total liabilities and fund balances	<u>\$ 705,304</u>	<u>\$ 41,360</u>	<u>\$ 416,537</u>	<u>\$ 1,163,201</u>

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

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position**

June 30, 2019

Total fund balances - governmental funds	\$	463,208
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$858,873 and the accumulated depreciation is \$332,060.

526,813
<hr/>

Total net position - governmental activities	\$	990,021
		<hr/> <hr/>

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

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds**

For the Year Ended June 30, 2018

	General Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
REVENUES				
Federal sources passed through local school district	\$ -	\$ -	\$ 1,280,953	\$ 1,280,953
State and local sources	6,389,311	435,764	-	6,825,075
Contributions and other revenues	31,964	-	-	31,964
Total revenues	6,421,275	435,764	1,280,953	8,137,992
EXPENDITURES				
Current:				
Instruction	2,917,562	-	690,321	3,607,883
Pupil personnel services	221,726	-	-	221,726
Board	60,558	-	-	60,558
General administration	116,585	-	-	116,585
School administration	2,220,345	-	-	2,220,345
Facilities acquisition and construction	-	-	-	-
Food services	-	-	543,025	543,025
Transportation services	20,254	-	-	20,254
Operation of plant	937,666	-	-	937,666
Capital outlay	-	492,892	-	492,892
Total expenditures	6,494,696	492,892	1,233,346	8,220,934
Excess (deficiency) of revenue over expenditures	(73,421)	(57,128)	47,607	(82,942)
SPECIAL ITEM				
Misappropriations of School assets	(103,074)	-	-	(103,074)
Total special item	(103,074)	-	-	(103,074)
OTHER FINANCIAL RESOURCES				
Transfer in	47,607	57,128	-	104,735
Transfer out	(57,128)	-	(47,607)	(104,735)
Total other sources	(9,521)	57,128	(47,607)	-
Net changes in fund balances	(186,016)	-	-	(186,016)
Fund balances at beginning of year	406,162	-	243,062	649,224
Fund balances at end of year	<u>\$ 220,146</u>	<u>\$ -</u>	<u>\$ 243,062</u>	<u>\$ 463,208</u>

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

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities**

For the Year Ended June 30, 2019

Net changes in fund balances - total governmental funds	\$	(186,016)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$492,892) exceeds depreciation expense (\$23,765) in the current period.

469,127

Change in net position of governmental activities
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\$	283,111
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The accompanying notes to financial statements are an integral part of this statement.

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

A Charter School and Component Unit of the District School Board of Manatee County, Florida

Notes to Financial Statements (continued)

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Team Success A School of Excellence, 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 1002.22, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors (the "Board"), which is composed of at least five members.

The general operating authority of the School is contained in Section 1002.22, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Manatee County Florida, (the "School Board"). The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB").

During May 2010, the School filed a request and was approved by the Florida Department of State, Division of Corporations to amend the official name of the School. Effective for fiscal year 2011, the School's name was amended to Team Success A School of Excellence, Inc.

Charter Contract

The current charter expires June 30, 2020 and may be renewed for a maximum of an additional fifteen years by mutual written agreement between the School and the School Board. Upon the expiration of the charter, the School Board may elect not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. However, the School Board may terminate the current charter at any time if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board.

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions in the Florida Statutes, the School is considered as a governmental organization for financial statement reporting purposes. The School is required by its agreement with the School Board to use the governmental reporting model and follow the fund and accounting structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools – The Red Book" issued by the Florida Department of Education FDOE.

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School in a manner similar to those of a private-sector business. The statement of net position and statement of activities are designed to provide financial information as a whole about the School on an accrual basis of accounting. The statement of net position provides information

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

A Charter School and Component Unit of the District School Board of Manatee County, Florida

Notes to Financial Statements (continued)

about the School's financial position, its assets and its liabilities, using an economic resources measurement focus.

The statement of activities presents a comparison between direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function; therefore, are clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of goods and services offered by the program and grants and contributions that are restricted for meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

The governmental fund financial statements report detailed information about the School's most significant funds, not the School as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance related requirements. Certain funds received are established by law while others are created by grant agreements. The following are the major individual governmental funds that are reported in these fund financial statements:

- General Fund – the School's primary operating fund that accounts for all financial resources of the school, except those that are required to be accounted for in another fund.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.
- Special Revenue Fund – to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for a specific purpose.

For the purpose of these statements, the general, capital projects and special revenue funds are considered 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 reported using the accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred, regardless of the timing the related cash flows take place.

The governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues, except for certain grant revenues, are recognized

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisition of capital leases, if any, are reported as other financing sources.

Budgetary Basis Accounting

Budgets are prepared using the modified accrual basis of accounting and the governing board must approve all budgets and amendments. During the fiscal year, expenditures were controlled at the object level. Budgets may be amended by resolution of the Board prior to the date of the annual report.

Cash and Cash Equivalents and Investments

The School's cash and cash equivalents consist primarily of demand deposits with financial institutions.

As State of Florida Statutes and the School's policy require, all deposits be made into and held by financial institutions designated by the treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by the institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool as the School has identified itself as a public entity at June 30, 2019.

Capital Assets and Depreciation

The School's capital assets with useful lives of more than one year are stated at historical cost and reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value on the date donated. The School capitalizes assets with a cost of \$750 or more. Expenditures of normal maintenance and repair that do not add to the assets value or extend the useful lives are not capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

	<u>Years</u>
Furniture, fixtures, and equipment	3 – 5
Leasehold improvements	3 – 20
Vehicles	7

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

A Charter School and Component Unit of the District School Board of Manatee County, Florida

Notes to Financial Statements (continued)

Net Position and Fund Balance Classifications

Government-wide financial statements

Net position is classified and reported in three components:

- Investment in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings, if any, that are attributed to the acquisition or improvement of those assets.
- Restricted - consists of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted – all other amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund financial statements

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

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

This statement also clarifies the definition of the special revenue fund to denote it may be used to account for the proceeds of specific revenue sources (other than trusts for individual, private organizations or other governmental agencies or for major capital projects) that are legally restricted to expenditures for specified purposes.

Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

remaining fund balances not included in the general funds are classified as restricted fund balance. It is possible for the amounts not included in the general fund to be classified as restricted fund balance. It is possible for the amounts not included in the general fund to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Revenue Sources

Revenues for operations are provided primarily from the District School Board of Manatee County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.22, Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the School District. The School Board receives a 5% administrative fee from the School, which is withheld from the respective Florida Education Finance Program (FEFP) payments. The administrative expense 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. The administrative fee is calculated on the FEFP revenue up to 250 students.

Under provisions of Section 1011.62, Florida Statutes, the School Board reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey period. The FDOE may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Generally, such adjustments are treated as reductions or additions of revenues in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the year ended June 30, 2019, the School reported 775.24 unweighted FTE.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures.

The School received additional funding under other federal and state grants. This assistance is generally received based on applications submitted to various granting agencies. For federal and state grants in which funding is awarded based on incurring eligible expenditures, revenue is recognized as the amount of eligible expenditures have been incurred.

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

2 POTENTIAL MISAPPROPRIATIONS OF ASSETS IS PRESENTED AS A SPECIAL ITEM

For the year ended June 30, 2019, the school recognized potential misappropriation of assets of approximately \$103,000 which is recorded in the financial statements as a special item. The individual accused of being responsible had oversight of the books and accounting records. However, the School has taken appropriate action to inform all parties required to be informed and had an internal investigation. The individual responsible for the loss is no longer associated with the School. The amount reported as the special item in the financial statement is based on School's internal investigation.

3 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States (GAAP) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available.

This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School's significant financial instruments are

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

cash, accounts receivable, accounts payable, short term borrowings, and other short term assets and liabilities. For these financial instruments (level 1), carrying values approximate fair value because of the short maturity of these instruments.

4 DUE FROM OTHER AGENCIES

Due from other agency included in the accompanying financial statements includes approximately \$173,000 from special revenue fund and \$41,000 from capital projects fund. Based on the sources of funds, management has evaluated the collectability and an allowance for doubtful accounts is not considered necessary.

5 CAPITAL ASSETS

Capital assets as of June 30, 2019 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Furniture, fixtures & equipment	\$ 263,774	\$ -	\$ -	\$ 263,774
Leasehold improvements	100,488	-	-	100,488
Vehicles	1,719	24,495	-	26,214
Land	-	50,000	-	50,000
Construction in Progress	-	418,397	-	418,397
Total capital assets	<u>365,981</u>	<u>492,892</u>	<u>-</u>	<u>858,873</u>
Accumulated depreciation:				
Furniture, fixture & equipment	(203,591)	(18,705)	-	(226,936)
Leasehold improvements	(102,985)	(2,105)	-	(102,985)
Vehicles	(1,719)	(2,918)	-	(4,637)
Total accumulated depreciation	<u>(308,295)</u>	<u>23,765</u>	<u>-</u>	<u>(332,060)</u>
Capital assets, net	<u>\$ 57,686</u>	<u>\$ 469,127</u>	<u>\$ -</u>	<u>\$ 526,813</u>
Depreciation expense:				
Instruction		\$ 18,705		
Food services		2,142		
Operation of plant		2,918		
Total governmental activities		<u>23,765</u>		
2019 depreciation expense		<u>\$ 23,765</u>		

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

6 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

District School Board of Manatee County, Florida:

Florida Education Finance Program	\$ 3,549,169
Class size reduction	885,745
Discretionary millage funds	737,507
Discretionary local effort	440,980
Capital outlay	435,764
Supplemental academic instruction	196,127
Transportation	193,843
ESE guaranteed allocation	81,936
Teacher recognition	68,813
Instructional materials	59,775
Safe schools	42,173
Teacher lead	41,100
Reading allocation	34,040
Total funds compression	22,002
Digital classroom allocation	17,683
Mental health assistance	15,803
Discretionary lottery funds	2,615
	<hr/>
Total	<u><u>\$ 6,825,075</u></u>

The administrative fee paid to the School Board during the year ended June 30, 2019 totaled approximately \$109,000, 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.

7 MANAGEMENT CONTRACT

The School has entered into a contractual agreement with Team Success Schools, LLC to provide management, administrative and transportation services to the School. The management agreement commenced March 1, 2018 and expires June 30, 2020. The fees to be paid to the management company will be \$1,950 per full-time equivalent student enrolled at the School. The fee for services is subject to an increase of up to 5% each fiscal year, if the budget allows and all performance measures and other requirements are met. In return for the fees, Team Success Schools, LLC shall be responsible for providing management services in the areas of financial operations, facility and equipment procurement and maintenance, curriculum assessment and evaluation, technology and operational support, human resources, student recruitment and provide transportation services to the Charter School.

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

The contract may be terminated by the School for termination or non-renewal of the charter with the School board and for material breaches of contract terms which have not been cured within ten days of written notice at the time of the contract breach.

For the year ended June 30, 2019, the School incurred approximately \$1,150,000 of management fees and is reflected as a general administration expense/expenditure in the accompanying statements of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

8 RISK MANAGEMENT PROGRAM

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

9 COMMITMENTS AND CONTINGENT LIABILITIES

Facility lease commitments

The School has entered into a lease agreement commencing on August 1, 2016 and ending July 31, 2026 with Police Athletic League. For the year ended June 30, 2019, rental expense for the lease was approximately \$552,000 which is reflected as an operation of plant expense/expenditure in the statement of activities and statement of revenues, expenditures and changes in fund balances of governmental funds. Future lease commitments are as follows;

Fiscal Year		
2020	\$	427,137
2021		435,680
2022		444,430
2023		453,281
2024		462,347
2025-2026		<u>471,594</u>
Total	\$	<u>2,694,434</u>

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

Grants

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

Management also believes there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal matters

Management has retained legal representation to address the potential loss of school funds. Management expects there will be an adverse effect on the financial statements. Additionally, the school may be involved in other legal matters that management cannot determine whether there is an impact on the financial statements for June 30, 2019.

10 INCOME TAXES

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. The School's income tax returns for the past tax years 2011, 2016, and 2015 are subject to examination by tax authorities and may change upon examination.

11 SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through October 30, 2019 which is the date the financial statements were available to be issued.

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.**A Charter School and Component Unit of the
District School Board of Manatee County, Florida****Required Supplementary Information****Budgetary Comparison Schedule - General Fund****For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
State and local sources	\$ 5,984,877	\$ 5,984,877	\$ 6,389,311	\$ 404,434
Contributions and other revenues	172,785	172,785	31,964	(140,821)
Total revenues	6,157,662	6,157,662	6,421,275	263,613
EXPENDITURES				
Instruction	2,832,399	2,832,399	2,917,562	85,163
Pupil personnel services	382,830	382,830	221,726	(161,104)
Board	24,500	24,500	60,558	36,058
General administration	-	-	116,585	116,585
School administration	2,197,410	2,193,410	2,220,345	26,935
Transportation services	30,000	30,000	20,254	(9,746)
Operation of plant	617,747	617,747	937,666	319,919
Total expenditures	6,084,886	6,080,886	6,494,696	413,810
Excess (deficiency) of revenue over expenditures	72,776	76,776	(73,421)	(150,197)
SPECIAL ITEM				
Misappropriations of School assets	-	-	(103,074)	
Total special item				
OTHER FINANCIAL RESOURCES				
Transfer in	-	-	47,607	47,607
Transfer out	-	-	(57,128)	(57,128)
Total other resources	-	-	(9,521)	(9,521)
Net changes in fund balances	72,776	76,776	(186,016)	(262,792)
Fund balances at beginning of year	406,162	406,162	406,162	-
Fund balances at end of year	\$ 478,938	\$ 482,938	\$ 220,146	\$ (262,792)

See report of independent auditors.

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

Budgetary Comparison Schedule - Special Revenue Fund

For the Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Federal sources passed through local school district	\$ 1,293,119	\$ 1,293,119	\$ 1,280,953	\$ (12,166)
Total revenues	1,293,119	1,293,119	1,280,953	(12,166)
EXPENDITURES				
Current:				
Instruction	602,979	602,979	690,321	87,342
Food services	507,980	507,980	543,025	35,045
Total expenditures	1,110,959	1,110,959	1,233,346	122,387
Net changes in fund balances	182,160	182,160	47,607	(134,553)
Fund balances at beginning of year	243,062	243,062	243,062	-
Fund balances at end of year	\$ 425,222	\$ 425,222	\$ 290,669	\$ (134,553)

See report of independent auditors.

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

Schedule of Expenditures of Federal Awards

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Grant Period	Total Federal Expenditures
United States Department of Agriculture / Florida Department of Agriculture / National School Lunch Program	10.555	7/1/18 - 6/30/19	\$ 439,611
United States Department of Agriculture / Florida Department of Agriculture / School Breakfast Program	10.553	7/1/18 - 6/30/19	266,766
Total Food Program Cluster			706,377
United States Department of Education / Florida Department of Education / Title I Grants to Local Education Agencies	84.010	7/1/18 - 6/30/19	531,764
United States Department of Agriculture / Florida Department of Agriculture / Commodity Supplemental Food Program	10.565	7/1/18 - 6/30/19	29,691
United States Department of Education / Florida Department of Education / IDEA, Part B	84.027	7/1/18- 6/30/19	13,121
Total Actual Federal Award Expenditures			\$ 1,280,953

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activities of the Organization during its fiscal year July 1, 2017 through June 30, 2018. The information in this schedule is presented in accordance with the requirements of *Uniform guidance*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*.

3 DE MINIMIS INDIRECT COST RATE

The auditee used actual costs and did not elect to use the 10% indirect cost rate.



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of Team Success A School of Excellence, Inc.,
a Charter School and Component Unit of the District
School Board of Manatee County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund for Team Success A School of Excellence, Inc., a Charter School and Component Unit of the District School Board of Manatee 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 a separate report thereon dated October 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit 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. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, we identified certain deficiencies in internal control that we consider to be material weaknesses.

We have reported other matters, Findings Nos. 2019-1 – 2019-4 on pages 38-39 for management's further consideration.

Response to Findings

Team Success A School of Excellence, Inc. response to findings identified in our audit is described on page 40-41 and was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. These Findings are repeat Findings from prior year and were noted in prior year's audit. However, these deficiencies occurred in the prior year and continued in the beginning of this fiscal year. These deficiencies were not identified and communicated to management until the middle of the year.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule.

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 engagement to perform an audit 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.

McCrady & Associates, PLLC

Altamonte Springs, Florida
October 30, 2019

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McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance

To the Board of Directors of Team Success A School of Excellence, Inc.,
a Charter School and Component Unit of the District
School Board of Manatee County, Florida

Report on Compliance for Each Major Federal Program

We have audited Team Success A School of Excellence, Inc., (the "School"), a charter school and component unit of the District School Board of Manatee County, Florida compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2019. The School's major federal programs are identified in the summary of Auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did identify deficiencies in internal control over compliance that we consider to be material weaknesses. However, there may be material weaknesses that exist which have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McCrady & Associates, PLLC

Altamonte Springs, Florida
October 30, 2019

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Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s restated report issued: Unmodified

Internal Control over financial reporting:

- Material weakness identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None noted

Type of auditor report issued on compliance for major programs? Unmodified

Audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance? N/A

Identification of major programs:

<u>CFDA Number</u>	<u>Grant Period</u>	<u>Name of Federal Program</u>
10.553	7/1/18 – 6/30/19	School Breakfast Program
10.555	7/1/18 – 6/30/19	National School Lunch Program
84.010	7/1/18 – 6/30/19	Title 1

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Qualified as a low-risk auditee? No

**Additional Information Required by
Rules of the Auditor General,
Chapter 10.850, *Audits of Charter Schools
and Similar Entities***



McCRAZY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

**Management Letter as Required by Rules of the Florida Auditor General, Chapter 10.850,
Florida Statutes, *Charter School Audits***

To the Board of Directors of Team Success A School of Excellence, Inc.
a Charter School and Component Unit of the District
School Board of Manatee County Florida

Report on the Financial Statements

We have audited the financial statements of Team Success A School of Excellence, Inc. (the "School") as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated October 30, 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); 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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, if applicable, which is dated, October 30, 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. Corrective actions to address the findings and recommendations were not implemented until later in the fiscal year due to the timing of the delivery of the report.

Official Title

Section 10.854(1)(e)5. Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the entity is Team Success A School of Excellence, Inc.

Financial Condition and Management

Sections 10.854(1)(e)2., and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have reported material weaknesses noted as Finding 2019-1 and Finding 2019-2 on the Independent Auditor's Report on Compliance and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

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 that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

McCrady & Associates, PLLC

Altamonte Springs, Florida
October 30, 2019

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TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC

A Charter School and Component Unit of the District School Board of Manatee County, Florida

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

Section II – Financial Statement Findings

Finding 2019-1 - Segregation of Duties

When the school was starting and much smaller, there was one individual who primarily worked in the accounting department under the oversight of the principal and the Board of Governance. This is not unusual for small governments and nonprofit organizations to have limited resources to hire enough employees for proper separation of duties. Therefore, the school reviewed their internal control policies and applied mitigating factors to attempt to minimize the risks. For example, all check disbursements required two signatures and approved by the Director. Over the last couple of years, the school has successfully expanded requiring additional employees to be included in the accounting department. Management took action in 2019 with hiring additional accounting personnel to create more segregation of duties and implemented new internal controls. In addition, new policies and procedures were initiated such as signature stamps to avoid any delay of school activities. Although the controller was not authorized to sign checks, another member of the accounting department was assigned a stamp for signing checks. It appears that the stamp may have been used by someone other than the person authorized to use it. This action could potentially reduce the role of separation of duties. There were material misappropriation of assets discovered in September of 2019. These potential amounts were quantified by management to be approximately \$103,074 during the fiscal year 2018/2019. Inherently, small organizations need to improve the documentation and review of the separation of duties as the school changes. Additionally, a recommendation to document and write down these new procedures.

Finding 2019-2 - Management Override of Internal Controls

The prior controller who was responsible for most of the accounting duties and many approvals, overrode internal control procedures to possibly misappropriate funds. These possible actions may have included altering checks after signed and approved by the Director, using a signature stamp that did not include her name and potentially creating fictitious entities and bank accounts. It is possible that the misappropriation of assets was caused by Management override of internal controls approved by the Board of Governance. Management engaged other independent professionals to conduct an internal investigation. Based on that report and our review, the amount of the potential loss associated with the school for fiscal year 2019 in the amount of approximately \$103,000 which is recorded in these financial statements. As discussed, additional proper separation of duties were recommended to be implemented in the middle of 2019. These policies should mitigate or reduce this risk. We recommend the board review the new policies annually.

Finding 2019-3 – Documentation Surrounding the Disbursement Process for the General Fund

During fiscal year 2019, our disbursement testing of the general fund expenditures resulted in a lack of documentation or support for expenditures that occurred in the beginning of the year. In the beginning of the year, the prior controller, who had oversight responsibility for the accounting process including requests, approvals and remittance of payment, allegedly did not comply with the internal control procedures to possibly misappropriate funds. For example, the board has

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC

A Charter School and Component Unit of the District School Board of Manatee County, Florida

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

designated that two signatures would be on all checks. The controller was appropriately not an authorized signature. However, after an internal investigation, management engaged other independent professionals to conduct an internal investigation. Based on that report and our review, the amount of the potential loss associated with the school for fiscal year 2019 has been recorded in these financial statements. We recommend that any signature stamps not be used when issuing checks or as approval on any support. We recommend the Board adopt a policy that any disbursements over \$10,000 has to be reviewed and approved by the Board except for recurring items such as rent. We also recommend the internal controls for separation of duties should be reviewed and changed to accommodate the activities and the size of the school as it changes.

Finding 2019-4 –Use of Credit Cards Issued to Management and Employees

During our review and test work in fiscal year 2019, we noted there were numerous credit cards with high available credit to several members of management for use to operate the school. This practice had grown over the years due to the growth of the school. Based on our review of several months of credit cards, most all of the charges had support such as receipts attached to the statement for review before approval. However, it was not always clear the purpose of the purchase. These purchases could have been for school or personal use but was not always specified on the support. Although most of these items were small, aggregately they were material. During the internal and independent investigation, this fact was taken into consideration when determining the amount of misappropriation of assets. Based on that report and our review, the amount of the potential loss associated with the school for fiscal year 2019 has been recorded in these financial statements. We recommend the Board of Governance develop policies surrounding the use of any credit cards including reduction of credit, minimizing the number of payers as well as recipients of the cards. In addition, they should review and establish specific proper documentation. In addition, they should review and establish specific required documentation.

Section III – Federal Award Findings and Questioned Costs

Based on our specific testing on the Federal Programs Audit there were no findings noted.

Section IV – Status of Prior Year Audit Findings

1. All of the Findings reported in last year's audit were repeated during the beginning of this fiscal year due to the timing of last year's report.



Team Success A School of Excellence

Managements Response to Current Audit Findings:

Teams Success agrees with the findings listed below and is determined to continue to implement procedures that will further improve all findings. Qualified professionals were hired and staff changes were made throughout the year to better the all-round health of the Charter School. As a result, new procedures were also implemented as soon as deficiencies were identified. Team Success came together with a variety of internal controls and have consulted additional professionals to ensure that material weaknesses as stated below are a thing of the past and will be absolutely addressed. We at Team Success feel extremely confident with our team that is in place today and will continue our best interest to be Team Success A School of Excellence.

Section II – Financial Statement Findings

Finding 2019-1 - Segregation of Duties

When the school was starting and much smaller, there was one individual who primarily worked in the accounting department under the oversight of the principal and the Board of Governance. This is not unusual for small governments and nonprofit organizations to have limited resources to hire enough employees for proper separation of duties. Therefore, the school reviewed their internal control policies and applied mitigating factors to attempt to minimize the risks. For example, all check disbursements required two signatures and approved by the Director. Over the last couple of years, the school has successfully expanded requiring additional employees to be included in the accounting department. Management took action in 2019 with hiring additional accounting personnel to create more segregation of duties and implemented new internal controls. In addition, new policies and procedures were initiated such as signature stamps to avoid any delay of school activities. Although the controller was not authorized to sign checks, another member of the accounting department was assigned a stamp for signing checks. It appears that the stamp may have been used by someone other than the person authorized to use it. This action could potentially reduce the role of separation of duties. There were material misappropriation of assets discovered in September of 2019. These potential amounts were quantified by management to be approximately \$103,074 during the fiscal year 2018/2019. Inherently, small organizations need to improve the documentation and review of the separation of duties as the school changes. Additionally, a recommendation to document and write down these new procedures.

**Managements Response:**

Signature stamps are no longer permitted within Team Success's business department, this helps prevent misplacement or misuse. Procedures for check disbursements now require three signatures, Requester, Business Director and Head of Schools. This ensures the not one nor two can proceed with manual checks without a third approval. Each invoice and purchase order is reviewed by the same three, Requester, Business Director and Head of Schools at time of approval to confirm legitimacy of vendor company and products in question to be paid.

Finding 2019-2 - Management Override of Internal Controls

The prior controller who was responsible for most of the accounting duties and many approvals, overrode internal control procedures to possibly misappropriate funds. These possible actions may have included altering checks after signed and approved by the Director, using a signature stamp that did not include her name and potentially creating fictitious entities and bank accounts. It is possible that the misappropriation of assets was caused by Management override of internal controls approved by the Board of Governance. Management engaged other independent professionals to conduct an internal investigation. Based on that report and our review, the amount of the potential loss associated with the school for fiscal year 2019 in the amount of approximately \$103,000 which is recorded in these financial statements. As discussed, additional proper separation of duties were recommended to be implemented in the middle of 2019. These policies should mitigate or reduce this risk. We recommend the board review the new policies annually.

Managements Response:

As previously stated, Signature stamps are no longer permitted within Team Success's business department, this helps prevent misplacement or misuse. The Business Department now provides Quick Books access to not only the Business Director but also the Bookkeeper. This allows all to stay in the know and to review entries and any manual checks written. Transparency has been our focus within our business department, and we will continue to review reconciliations and bank statements as a team (Business Director and Bookkeeper) and not an individual. We have also consulted professional CPA services that specialize in charters to continue to improve as a Business Department for Team Success.



Finding 2019-3 – Documentation Surrounding the Disbursement Process for the General Fund

During fiscal year 2019, our disbursement testing of the general fund expenditures resulted in a lack of documentation or support for expenditures that occurred in the beginning of the year. In the beginning of the year, the prior controller, who had oversight responsibility for the accounting process including requests, approvals and remittance of payment, allegedly did not comply with the internal control procedures to possibly misappropriate funds. For example, the board has designated that two signatures would be on all checks. The controller was appropriately not an authorized signature. However, after an internal investigation, management engaged other independent professionals to conduct an internal investigation. Based on that report and our review, the amount of the potential loss associated with the school for fiscal year 2019 has been recorded in these financial statements. We recommend that any signature stamps not be used when issuing checks or as approval on any support. We recommend the Board adopt a policy that any disbursements over \$10,000 has to be reviewed and approved by the Board except for recurring items such as rent. We also recommend the internal controls for separation of duties should be reviewed and changed to accommodate the activities and the size of the school as it changes

Managements Response:

Team Success created a Business Department in direct response to the potential loss of the previous year. This department includes the Business Director, Bookkeeper, Office manager, HR manager and consultant. All working with the same purpose and goal to help prevent any possible fraudulent activity and to continue the healthy growth of Team Success. In the past many business decisions were managed by only two employees, the Controller with all access and a Bookkeeper/HR. We feel confident that by implementing additional qualified professionals, all these findings will be corrected.



Finding 2019-4 –Use of Credit Cards Issued to Management and Employees

During our review and test work in fiscal year 2019, we noted there were numerous credit cards with high available credit to several members of management for use to operate the school. This practice had grown over the years due to the growth of the school. Based on our review of several months of credit cards, most all of the charges had support such as receipts attached to the statement for review before approval. However, it was not always clear the purpose of the purchase. These purchases could have been for school or personal use but was not always specified on the support. Although most of these items were small, aggregately they were material. During the internal and independent investigation, this fact was taken into consideration when determining the amount of misappropriation of assets. Based on that report and our review, the amount of the potential loss associated with the school for fiscal year 2019 has been recorded in these financial statements. We recommend the Board of Governance develop policies surrounding the use of any credit cards including reduction of credit, minimizing the number of payers as well as recipients of the cards. In addition, they should review and establish specific proper documentation. In addition, they should review and establish specific required documentation.

Managements Response:

Since the fraudulent finding of the previous year we at Team Success have drastically minimized personnel with credit card access. Currently only two staff members have access to credit cards, these being the Founder and the Head of Schools. All purchases are to have a Purchase Order approved by the requestor and the Head of Schools. We also take the monthly bank statements and review in the Business Department for any possible purchase that does not have a PO or looks out of the ordinary. We closely monitor vendors and request support for new vendors. Reconciling purchases has been a priority in our Business Department.

Douglas R. Colkitt M.D. M.B.A.

President of the Board of Governance

Team Success A School of Excellence