

Alpha Charter of Excellence, Inc.
Financial Statements and Supplementary Information
June 30, 2020



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Independent Auditors' Report

To the Board of Directors
Alpha Charter of Excellence, Inc.
Miami, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Alpha Charter of Excellence, Inc. (the "School") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 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 opinion.

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 Alpha Charter of Excellence, Inc. as of June 30, 2020, 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.

To the Board of Directors
Alpha Charter of Excellence, Inc.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 22-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2020, on our consideration of Alpha Charter of Excellence, Inc.'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 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 Alpha Charter of Excellence, Inc.'s internal control over financial reporting and compliance.

GLSC & Company, PLLC

Miami, Florida
September 14, 2020

**Alpha Charter of Excellence, Inc.
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Our discussion and analysis of Alpha Charter of Excellence, Inc.'s (the "School") financial performance provides a narrative overview of the School's financial activities for the year ended June 30, 2020. We encourage readers to read it in conjunction with the School's independent auditors' report, financial statements, accompanying notes and supplementary information to the financial statements.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the fiscal year by \$439,501.
- The School's total net position decreased by \$4,359 due to minor changes in various revenue and expenses.
- Student enrollment decreased by 5 students this past year, a 1.5% decrease. Student enrollment totaled 313, 318 and 310 in years 2020, 2019 and 2018, respectively.
- As of June 30, 2020, the School's governmental funds reported ending fund balances of \$394,928 an increase of \$13,874 in comparison with the prior year. The entire fund balance belongs to the general fund as any excess revenues over expenditures in the other governmental funds are transferred to the general fund.

Overview of the Financial Statements

This discussion and analysis are intended to serve as the introduction to the School's financial statements. The School's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information for all the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will eventually result in cash flows in future fiscal periods.

The *government-wide financial statements* distinguish the School's function as being principally supported by local revenues (FTE dollars through the Miami-Dade County School Board) (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The School does not have any business-type activities and does not have any component units for which they are financially responsible. The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has one fund category, governmental funds. There are no proprietary or fiduciary funds maintained by the School. The fund financial statements present information in more detail than the government-wide financial statements.

Governmental funds *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains two governmental funds. The governmental balance sheet presents only the general fund as the special revenue fund had no assets, liabilities or fund balance at year-end. Information is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances. The School adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for each governmental fund to demonstrate compliance with the budget. The governmental fund statements can be found on pages 11-14.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-21.

Required Supplementary Information

The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A) comprising pages 3-8, the budgetary comparison schedule, and the notes to budgetary comparison schedules which can be found on pages 22-24.

Supplementary Auditors' Reports This section includes the following:

- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, which can be found on pages 25-26.
- Schedule of Findings and Questioned Costs on page 27.
- Summary Schedule of Prior Audit Findings on page 28.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 29-30.

Government-wide financial analysis: As noted earlier, net position may serve over time as a useful indicator of an entity’s financial position. As of June 30, 2020, the School’s total net position decreased by \$4,359 when compared to prior year.

As of June 30, 2020, net investment in capital assets (e.g., improvements other than buildings and equipment) amounted to \$44,573.

	Governmental Activities		Increase (Decrease)
	<u>2020</u>	<u>2019</u>	
Assets			
Current and other assets	\$ 490,974	\$ 472,269	\$ 18,705
Capital assets, net of depreciation	<u>44,573</u>	<u>62,806</u>	<u>(18,233)</u>
Total assets	<u>535,547</u>	<u>535,075</u>	<u>472</u>
Liabilities			
Current and other liabilities	<u>96,046</u>	<u>91,215</u>	<u>4,831</u>
Total liabilities	<u>96,046</u>	<u>91,215</u>	<u>4,831</u>
Net position			
Net investment in capital assets	44,573	62,806	(18,233)
Unrestricted	<u>394,928</u>	<u>381,054</u>	<u>13,874</u>
Total net position	<u>\$ 439,501</u>	<u>\$ 443,860</u>	<u>\$ (4,359)</u>

Total assets remained relatively consistent when compared with prior year.

Total liabilities increased by \$4,831 (5.3%) and the unrestricted net position increased by \$13,874 (3.6%) from prior year. The School’s assets exceeded liabilities by \$439,501 at June 30, 2020.

Governmental activities The School's total net position at the end of the year amounted to \$439,501, a decrease of \$4,359 (1.0%) from the previous fiscal year. The total cost of all governmental activities this year was \$3,076,826. Key elements of these changes in net position are as follows:

	Governmental Activities		Increase (Decrease)
	<u>2020</u>	<u>2019</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 1,289	\$ 1,288	\$ 1
Operating grants and contributions	404,517	447,201	(42,684)
Capital grants and contributions	195,733	190,507	5,226
General revenues			
Florida Education Finance Program (FEFP)	2,455,936	2,356,338	99,598
Local sources	<u>14,992</u>	<u>15,627</u>	<u>(635)</u>
Total revenues	<u>3,072,467</u>	<u>3,010,961</u>	<u>61,506</u>
Expenses:			
Instruction	1,555,254	1,405,655	149,599
Instruction and curriculum development services	-	11,496	(11,496)
Instructional staffing services	64,838	71,016	(6,178)
Student support services	-	1,800	(1,800)
Board	9,250	9,407	(157)
General administration	93,839	93,098	741
School administration	264,719	246,391	18,328
Facilities and acquisition	518,935	494,690	24,245
Fiscal services	43,251	39,883	3,368
Food services	184,521	252,988	(68,467)
Pupil transportation services	-	2,223	(2,223)
Operations of plant	216,640	233,190	(16,550)
Maintenance of plant	30,510	50,701	(20,191)
Technology services	63,448	57,867	5,581
Unallocated depreciation expense	<u>31,621</u>	<u>25,077</u>	<u>6,544</u>
Total expenses	<u>3,076,826</u>	<u>2,995,482</u>	<u>81,344</u>
Change in net position	(4,359)	15,479	(19,838)
Net position, beginning	<u>443,860</u>	<u>8,381</u>	<u>15,479</u>
Net position, ending	<u>\$ 439,501</u>	<u>\$ 443,860</u>	<u>\$ (4,359)</u>

The School's total revenues increased by \$61,506 (2.0%) during the year. The \$61,506 increase is mainly due to a \$99,598 (4.2%) increase in Florida Education Finance Program (FEFP) general revenues. The increase in FEFP revenue is a result of several additional state grants received.

Total expenses before transfers increased by \$81,344 (2.7%) from prior year. This increase was mainly due to an increase in instruction costs of \$149,599 (10.6%) which was offset by a decrease in food services of \$68,467 (-27.1%). The increase in instruction costs has to do with the hiring of an additional teacher plus the onset of a matching 401K program. The decrease in food services is a result of the discontinuation of food services while the school was temporarily closed as a result of the COVID-19 pandemic.

General Budgetary Highlights

For the fiscal year ended June 30, 2020, the School had final estimated revenues and appropriations of \$3,113,131 and \$3,106,926, respectively. The majority of the variance between budgeted and actual general fund expenditures for the year ended June 30, 2020 is due to disruption of services while the school was temporarily closed as a result of the Covid-19 pandemic.

Capital Assets

The School's investment in capital assets for its governmental activities as of June 30, 2020 amounted to \$44,573, net of accumulated depreciation. This investment in capital assets includes improvements other than buildings, and equipment.

Capital Assets (net of depreciation)

	Governmental Activities		Increase (Decrease)
	<u>2020</u>	<u>2019</u>	
Improvements other than buildings	\$ 2,984	\$ 5,336	\$ (2,352)
Equipment	<u>41,589</u>	<u>57,470</u>	<u>(15,881)</u>
Total capital assets	<u>\$ 44,573</u>	<u>\$ 62,806</u>	<u>\$ (18,233)</u>

In fiscal year 2019-2020, total capital purchases amounted to approximately \$13,388. Additional information on the School's capital assets can be found in Note 3 of the notes to the financial statements (page 20).

Economic Factors and Other Events

- The School receives funds from state sources in the form of Florida Education Finance Program Fees (FEFP). The fees are evaluated in October and February and are based on student enrollment.
- The Miami-Dade County School Board maintained the administrative costs at 5% of the FEFP award on the first 500 students.

Impact of Coronavirus on the School

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic and state and local governments instituted school closures, which prompted the School to transition to a virtual learning environment. The School has taken numerous measures to respond to the outbreak, including sanitizing all areas of the School in accordance with guidelines provided by various authorities including the State of Florida, Miami-Dade County, and the Centers for Disease Control (CDC). In addition, the School has provided digital devices to families in need to ensure that each student is able to participate in the online learning platform. The School has also partnered with other organizations to provide food and essential items to families in the School community.

Although the School remains closed for in-person learning and the date that students will return to the School in person is not certain, the School has adopted an instructional continuity plan that includes a hybrid learning model blending both physical return-to-school learning and distance learning, safety protocols throughout the School, density reduction and strategic leveraging of existing square footage to maximize social distancing.

While the School has adopted an instructional continuity plan to address the threats posed by Covid-19, the School expects the closure may impact enrollment and overall productivity. These disruptions are expected to be temporary, but there is uncertainty around the duration of such disruptions. Accordingly, these conditions may have a negative impact on the School's financial performance and the full impact on the School's financial position is not yet determinable.

Requests for Information

This financial report is designed to provide the reader with a general overview of the School's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to Isabel Navas, Principal, 1223 SW 4th Street, Miami, Florida 33135.

**Alpha Charter of Excellence, Inc.
Statement of Net Position
June 30, 2020**

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash	\$ 401,911
Accounts receivable	25,731
Prepaid expenses	<u>43,244</u>
Total current assets	<u>470,886</u>
Capital assets, net of accumulated depreciation	44,573
Other Assets	
Deposits	<u>20,088</u>
Total assets	<u>535,547</u>
Liabilities and Net Position	
Liabilities	
Accounts payable	4,194
Accrued payroll	<u>91,852</u>
Total liabilities	<u>96,046</u>
Net Position	
Net investment in capital assets	44,573
Unrestricted	<u>394,928</u>
Total net position	<u>\$ 439,501</u>

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

**Alpha Charter of Excellence, Inc.
Statement of Activities
For the Year Ended June 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental activities:					
Instruction	\$ 1,555,254	\$ -	\$ 159,148	\$ -	\$ (1,396,106)
Instructional staffing services	64,838	-	66,850	-	2,012
Board	9,250	-	-	-	(9,250)
General administration	93,839	-	-	-	(93,839)
School administration	296,340	-	-	-	(296,340)
Facilities and acquisition	518,935	-	-	195,733	(323,202)
Fiscal services	43,251	-	-	-	(43,251)
Food services	184,521	1,289	178,519	-	(4,713)
Operations of plant	216,640	-	-	-	(216,640)
Maintenance of plant	30,510	-	-	-	(30,510)
Technology services	63,448	-	-	-	(63,448)
Total governmental activities	<u>\$ 3,076,826</u>	<u>\$ 1,289</u>	<u>\$ 404,517</u>	<u>\$ 195,733</u>	<u>(2,475,287)</u>

General revenues:	
Florida Education Finance Program	2,455,936
Other local sources	14,992
Total general revenues	<u>2,470,928</u>
Change in net position	(4,359)
Net position, beginning	443,860
Net position, ending	<u>\$ 439,501</u>

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

**Alpha Charter of Excellence, Inc.
Balance Sheet - Governmental Fund
June 30, 2020**

	General Fund
Assets	
Cash	\$ 401,911
Accounts receivable, net	25,731
Prepaid expenses	43,244
Deposits	20,088
Total assets	\$ 490,974
 Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 4,194
Accrued payroll	91,852
Total liabilities	96,046
 Fund Balance	
Nonspendable	43,244
Unassigned	351,684
Total fund balance	394,928
Total liabilities and fund balance	\$ 490,974

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

Alpha Charter of Excellence, Inc.
Reconciliation of the Balance Sheet - Governmental Fund
to the Statement of Net Position
June 30, 2020

Total fund balance, governmental fund (page 11)	\$ 394,928
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund level statements	
Capital assets, net	<u>44,573</u>
Net position of governmental activities (Page 9)	<u>\$ 439,501</u>

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

Alpha Charter of Excellence, Inc.
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Special Revenue	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
School Board of Miami-Dade County			
Florida Education Finance Program (FEFP)	\$ 2,455,936	\$ -	\$ 2,455,936
Capital outlay	195,733	-	195,733
Federal passed through state	-	404,517	404,517
Other local sources	<u>14,992</u>	<u>1,289</u>	<u>16,281</u>
Total revenues:	2,666,661	405,806	3,072,467
Expenditures:			
Instruction	1,403,530	151,724	1,555,254
Instructional staffing services	1,107	63,731	64,838
Board	9,250	-	9,250
General administration	93,839	-	93,839
School administration	264,719	-	264,719
Facilities and acquisition	532,323	-	532,323
Fiscal services	43,251	-	43,251
Food services	-	184,521	184,521
Operations of plant	216,640	-	216,640
Maintenance of plant	30,510	-	30,510
Technology services	<u>63,448</u>	<u>-</u>	<u>63,448</u>
Total expenditures:	2,658,617	399,976	3,058,593
Excess of revenues over expenditures	8,044	5,830	13,874
Other financing sources			
Transfers to other funds	<u>5,830</u>	<u>(5,830)</u>	<u>-</u>
Total other financing sources (uses)	5,830	(5,830)	-
Fund balance, beginning	<u>381,054</u>	<u>-</u>	<u>381,054</u>
Fund balance, ending	<u>\$ 394,928</u>	<u>\$ -</u>	<u>\$ 394,928</u>

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

Alpha Charter of Excellence, Inc
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Funds to the Statement of Activities
June 30, 2020

Net change in fund balance - total governmental fund (page 13)	\$	13,874
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are capitalized and allocated over their estimated useful lives as depreciation expense.</p>		
Purchased capital assets		13,388
Provision for depreciation		<u>(31,621)</u>
Change in net position of governmental activities (page 10)	\$	<u>(4,359)</u>

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

Alpha Charter of Excellence, Inc.
Notes to the Financial Statements
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Alpha Charter of Excellence, Inc. (the "School") was established as a not-for-profit organization under the laws of the State of Florida in June 2012, for the purpose of maximizing student achievement through service-learning activities and projects in a safe, nurturing micro-society environment. The School operates as a charter school pursuant to a Charter School Contract (the "Contract") with the Miami-Dade County Public School Board (the "District" or "School Board"). The original contract was effective for five years expiring in 2017. In 2017, the Contract with the School Board was renewed for another five years expiring in June 2022. For financial statement purposes, the School is considered a component unit of the School Board of Miami-Dade County, which is a primary government entity for financial reporting.

The School has a current enrollment of 313 students for the 2019-2020 school year.

Government-Wide and Fund Financial Statements

The School's government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the School's activities. The effect of interfund activity has been removed from these statements. Full-time equivalent (FTE) dollars and intergovernmental revenues support governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. FTE dollars and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements. The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The School's government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and other similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The School's fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

FTE dollars, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

The School reports the following major funds:

General Fund – The 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 – The Special Revenue Fund accounts for specific revenue, such as federal grants, that are legally restricted to expenditures for particular purposes.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Fund Equity

a. *Cash and Cash Equivalents*

The School considers all highly liquid investments that have an original maturity of three months or less as cash equivalents. The School maintains its cash in approved qualified public depository accounts.

b. *Accounts Receivable*

All receivables are considered to be collectible. No allowance for uncollectible accounts is recorded.

c. *Prepaid Expenses*

Prepaid expenses represent rent payments made toward a future accounting period.

d. *Capital Assets*

Capital assets, which include equipment and leasehold improvements, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost more than \$1,000 with an estimated useful life of two or more years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Costs of normal maintenance and repairs are expensed as incurred. Major repairs and improvements that extend the life of the asset are capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

d. Capital Assets (Continued)

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

<u>Asset Category</u>	<u>Years</u>
Improvements other than buildings	7
Furniture, fixtures & equipment	3

In accordance with Florida Statutes, all property and improvements, furnishings and equipment purchased with public funds will automatically revert to full ownership by the School Board upon the non-renewal or termination of the charter agreement.

e. Net Position and Fund Balance Classifications

Government-wide Financial Statements

Net position is displayed in three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation which are attributable to the acquisition, construction or improvement of those assets.
- Restricted net position – Consists of net position with constraints placed on resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. The School has no restricted net position as of June 30, 2020.
- Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Fund Financial Statements

Fund Balance. In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Prepaid Items represent that portion of fund balance that is not an available resource because it represents the year-end balance of prepaid rent on the school facility which is not a spendable resource.

Restricted – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Committed – The portion of fund balance that can only be used for specific purposes imposed by majority vote of the School’s governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned – That amount of fund balance that the School intends to use for specific purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

d. Net Position and Fund Balance Classifications (Continued)

Fund Financial Statements (Continued)

The School's policy is to apply expenditures against restricted fund balances, followed in order by committed funds, then assigned funds, and finally unassigned fund balances, at the end of the fiscal year. The School's Board of Directors can deviate from this policy if it is in the best interest of the School.

Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position.

The net difference of \$44,573 between the two amounts represents the amount that the net position of governmental activities exceeds the total fund balances of governmental funds.

Revenue Sources

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School's charter. Under the provisions of Section 1002.33, Florida Statutes, and the School's charter, the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual FTE students reported by the School during the designated student survey periods.

Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund statement of revenues, expenditures and changes in fund balance is followed by a reconciliation between the change in the fund balance of the governmental funds and the change in the net position of governmental activities as reported on the government-wide statement of activities.

The net difference of \$18,233 between the two amounts represents the amount that the change in fund balances of government funds exceeds the change in net position of governmental activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

Pronouncements yet to be implemented:

GASB Statement 87, *Leases* (GASB 87), increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for fiscal year 2022. The School is currently evaluating the impact, if any, that GASB 87 may have on its financial statements.

GASB Statement 92, *Omnibus 2020* (GASB 92), enhances the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Statement addresses a variety of topics and includes specific provisions regarding GASB Statement 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and Terminology used to refer to derivative instruments. The requirements of GASB 92 are effective at various dates in fiscal year 2022. The School is currently evaluating the impact, if any, that GASB 92 may have on its financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of GASB 96 are effective for fiscal year 2023. The School is currently evaluating the impact, if any, that GASB 96 may have on its financial statements.

Date of Management Review

Management has evaluated events that occurred subsequent to year end for potential recognition or disclosure in the financial statements, through the date on which they were available to be issued. Subsequent events were evaluated through September 14, 2020, the date which the financial statements were available to be issued.

2. DEPOSITS

The School's cash and cash equivalents include demand deposits. At June 30, 2020, the School's deposits totaled \$401,911. The School's deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). All cash deposits are held at banks qualified as public depositories under Florida law.

Concentrations of Credit Risk

Custodial credit risk for cash deposits is the risk that, in event, of the failure of a depository financial institution, the School will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. As of June 30, 2020, the School's custodial credit risk is approximately \$151,911. The School maintains cash with a high-quality financial institution that meets the definition of a qualified public depository as defined by Chapter 280, Florida Statutes.

3. CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Improvements other than building	\$ 322,161	\$ 3,475	\$ -	\$ 325,636
Furniture, fixture and equipment	211,757	9,913	-	221,670
Total capital assets being depreciated	<u>533,918</u>	<u>13,388</u>	<u>-</u>	<u>547,306</u>
Less: accumulated depreciation for:				
Improvements other than building	(316,825)	(5,827)	-	(322,652)
Furniture, fixture and equipment	(154,287)	(25,794)	-	(180,081)
Total accumulated depreciation	<u>(471,112)</u>	<u>(31,621)</u>	<u>-</u>	<u>(502,733)</u>
Total capital assets being depreciated, net	<u>\$ 62,806</u>	<u>\$ (18,233)</u>	<u>\$ -</u>	<u>\$ 44,573</u>

Depreciation expense of \$31,621 was unallocated during the year ended June 30, 2020.

4. RECEIVABLES

Receivables as of June 30, 2020, for the School are as follows:

Due from Miami-Dade County	\$ 15,188
Due from Federal	<u>10,543</u>
Total receivables	<u>\$ 25,731</u>

5. OPERATING LEASES

The School operates under a non-cancelable operating lease agreement which expires in June 2022. The agreement requires monthly rental payments plus an allocation of operating charges and real estate taxes. For the fiscal year ended June 30, 2020, rent expense was \$518,935.

Future minimum rental payments under this lease arrangement are as follows:

<u>Fiscal Years ending</u> <u>June 30,</u>	<u>Amount</u>
2021	\$ 518,928
2022	548,280
	<u>\$ 1,067,208</u>

6. SERVICE AGREEMENT

The School has a service agreement with Charter School Services Inc. (d/b/a Building Hope) to provide accounting and finance services for the School, which began on June 1, 2017. The agreement is renewed annually. The fee for these services is approximately \$110 per full time equivalent student. Total fees incurred for the year ended June 30, 2020, were \$36,551.

7. RISKS AND UNCERTAINTIES

The School is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the School carries commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic and state and local governments instituted school closures, which prompted the School to transition to a virtual learning environment. The School has taken numerous measures to respond to the outbreak, including sanitizing all areas of the School in accordance with guidelines provided by various authorities including the State of Florida, Miami-Dade County and the Centers for Disease Control (CDC). While the School has adopted an instructional continuity plan to address the threats posed by Covid-19, the School expects the closure may impact enrollment and overall productivity. These disruptions are expected to be temporary, but there is uncertainty around the duration of such disruptions. Accordingly, these conditions may have a negative impact on the School's financial performance and the full impact on the School's financial position is not yet determinable.

8. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to future audit and compliance testing, which may result in adjustments by Federal or State grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of such expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the School's expect such amounts, if any, to be immaterial.

Required Supplementary Information

Alpha Charter of Excellence, Inc.
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
School Board of Miami-Dade County			
Florida Education Finance Program (FEFP)	\$ 2,528,286	\$ 2,455,936	\$ (72,350)
Capital Outlay	164,500	195,733	31,233
Other local sources	14,370	14,992	622
Total Revenues:	2,707,156	2,666,661	(40,495)
Expenditures:			
Instruction	1,404,086	1,403,530	556
Instruction and curriculum development services	5,325	-	5,325
Instructional staffing services	3,500	1,107	2,393
Board	9,750	9,250	500
General administration	-	93,839	(93,839)
School administration	257,015	264,719	(7,704)
Facilities and acquisition	518,935	532,323	(13,388)
Fiscal services	156,215	43,251	112,964
Pupil transportation services	3,000	-	3,000
Operations of plant	243,825	216,640	27,185
Maintenance of plant	30,000	30,510	(510)
Technology services	69,300	63,448	5,852
Total expenditures:	2,700,951	2,658,617	42,334
Excess of revenues over expenditures	6,205	8,044	1,839
Other financing sources			
Transfers to other funds	-	5,830	5,830
Total other financing sources	-	5,830	5,830
Fund balance, beginning	381,054	381,054	-
Fund balance, ending	\$ 387,259	\$ 394,928	\$ 7,669

Alpha Charter of Excellence, Inc.
Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended June 30, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Federal passed through state	\$ 405,975	\$ 404,517	\$ (1,458)
Other local sources	<u>-</u>	<u>1,289</u>	<u>1,289</u>
Total Revenues:	405,975	405,806	(169)
Expenditures:			
Instruction	126,756	151,724	(24,968)
Instructional staffing services	53,244	63,731	(10,487)
Food services	<u>225,975</u>	<u>184,521</u>	<u>41,454</u>
Total expenditures:	405,975	399,976	5,999
Excess of revenues over expenditures	-	5,830	5,830
Other financing sources			
Transfers to other funds	<u>-</u>	<u>(5,830)</u>	<u>(5,830)</u>
Total other financing sources	-	(5,830)	(5,830)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Alpha Charter of Excellence, Inc.
Notes to the Budgetary Comparison Schedule
Governmental Funds
For the Year Ended June 30, 2020

Note 1 – Budgets and Budgetary Accounting

An operating budget was adopted and maintained by the governing board for the School pursuant to the requirement of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments must be approved by the Board of Directors. Actual expenditures did not exceed budgeted amounts for the year ended June 30, 2020.



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

To the Board of Directors
Alpha Charter of Excellence, Inc.
Miami, 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 major funds of Alpha Charter of Excellence, Inc., (the "School") as of and for the year ended June 30, 2020, 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 14, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

To the Board of Directors
Alpha Charter of Excellence, Inc.

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.

GLSC & Company, PLLC

Miami, Florida
September 14, 2020

ALPHA CHARTER OF EXCELLENCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2020

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

ALPHA CHARTER OF EXCELLENCE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2020

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

SD 2019-001 – Leases with escalating rent payments was not repeated in the current year.

**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES
OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Directors of
Alpha Charter of Excellence, Inc.
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of Alpha Charter of Excellence, Inc., (the "School") as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated September 14, 2020.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 14, 2020, 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. Management has evaluated the finding and determined the existing accounting treatment applied to the facility lease is acceptable. Finding was not repeated in the current year.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of Education of the entity are Alpha Charter of Excellence, Inc.; 5410.

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 Alpha Charter of Excellence, 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 Alpha Charter of Excellence, 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 Alpha Charter of Excellence, Inc. It is management's responsibility to monitor Alpha Charter of Excellence, 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.

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 Alpha Charter of Excellence, 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 Alpha Charter of Excellence, 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 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, applicable management, and the Miami-Dade County District School Board and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the School and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

GLSC & Company, PLLC

Miami, Florida
September 14, 2020