

# Championship Academy of Distinction at Davie High School, Inc.

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2020



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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report of the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Championship Academy of Distinction at Davie High School, Inc. (the "School"), a component unit of the School Board of Broward County, Florida, 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.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2020, and the results of its operations for the year then ended, and is not intended to be a complete presentation of the District.

## **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, as listed in the table of contents, 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 30, 2020 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.

*McDonough CPA Solutions, PA*

September 30, 2020, except for Note N, as to which the date is June 9, 2021  
Rockledge, Florida

## Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) section of the annual combined financial report of the Championship Academy of Distinction at Davie High School, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2020.

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

### Financial Highlights

- The School's overall net position decreased by \$397,161 .
- Total ending unrestricted net position was a (deficit) of \$91,870.
- As of close of the current fiscal year, the School's governmental funds reported combined ending fund balance (deficit) of \$3,961.
- At the end of the current fiscal year, unassigned fund balance for the general fund was a (deficit) of \$78,174.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

### The School as a Whole

The information in the government-wide financial statements includes all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (assets, liabilities, and deferred outflows/inflows of resources) over time is one indicator of whether the School's financial health is improving or deteriorating. However, one needs to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, etc., to assess the overall health of the School.

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

The statement of net position presents information on all of the School's assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time,

increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by District, State, and Federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the School Board of Broward County, Florida. The School Board of Broward County, Florida includes the operation of the School in their operations.

The governmental-wide financial statements can be found listed on the table of contents 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 governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental and fiduciary funds.

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

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

The School maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues,



expenditures and changes in fund balances for the general fund, special revenue fund, debt service fund, and capital outlay fund, all of which are considered to be major funds.

The basic governmental fund financial statements can be found listed on the table of contents in this report.

The School adopts an annual appropriated budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget and can be found listed in the table of contents in this report.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found listed on the table of contents in this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the School’s financial position. In the case of the School, liabilities exceeded assets by (\$1,497,389 ) at June 30, 2020, compared to (\$1,100,228) at June 30, 2019.

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

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

**Championship Academy of Distinction at Davie High School, Inc.  
Statement of Net Position (Deficit)**

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 175,424	\$ 344,583	\$ (169,159)
Capital assets - net of accumulated depreciation	<u>7,416,572</u>	<u>7,613,280</u>	<u>(196,708)</u>
Total assets	<u>7,591,996</u>	<u>7,957,863</u>	<u>(365,867)</u>
<b>LIABILITIES</b>			
Current liabilities	179,385	148,091	31,294
Non-current liabilities	<u>8,910,000</u>	<u>8,910,000</u>	<u>-</u>
Total liabilities	<u>9,089,385</u>	<u>9,058,091</u>	<u>31,294</u>
<b>NET POSITION</b>			
Net investment in capital assets	(1,493,428)	(1,296,720)	(196,708)
Restricted	87,909	288,528	(200,619)
Unrestricted	<u>(91,870)</u>	<u>(92,036)</u>	<u>166</u>
Total net position	<u>\$ (1,497,389)</u>	<u>\$ (1,100,228)</u>	<u>\$ (397,161)</u>

Current asset decreased as a result of payments of interest and fiscal charges related to restricted cash and a reduction of due from management fees related to amounts written off in the current

year. Capital assets decreased in relationship to current year depreciation expense. Current liabilities increased mostly due to a non-exchange financial guarantee (PPP Loan) used to retain employees and eligible expenses caused by the COVID-19 pandemic.

Changes in the School's revenues were as follows:

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

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Revenues:			
Program revenues:			
Charges for services	\$ -	\$ 274	\$ (274)
Operating grants and contributions	22,927	21,056	1,871
Capital grants and contributions	-	35,689	(35,689)
General revenues:			
State passed through local school district	592,755	496,988	95,767
Local and other revenues	<u>2,746</u>	<u>28,099</u>	<u>(25,353)</u>
Total revenues	<u>\$ 618,428</u>	<u>582,106</u>	<u>\$ 36,322</u>

Capital grants and contributions decreased due to a decrease in capital outlay funding. State passed through local school district increased due to an increase in FEFP revenues related to student enrollment. Local and other revenues decreased mainly due to a decrease in miscellaneous local sources revenues.

Expenses:			
Basic instruction	\$ 328,437	174,548	\$ 153,889
Student support services	-	11,035	(11,035)
Instructional technology	7,391	-	7,391
Board expenses	-	7,000	(7,000)
School administration	151,599	145,348	6,251
Fiscal services	15,062	32,614	(17,552)
Food services	54,130	53,627	503
Student transportation	16,276	6,938	9,338
Operation of plant	313,570	246,834	66,736
Bond issuance fees	-	561,384	(561,384)
Interest & Fiscal Charges	<u>129,124</u>	<u>431,546</u>	<u>(302,422)</u>
Total expenses	<u>\$ 1,015,589</u>	<u>1,670,874</u>	<u>\$ (655,285)</u>
Change in net position	\$ (397,161)	(1,088,768)	691,607
Net position (deficit) - beginning	<u>\$ (1,100,228)</u>	<u>(11,460)</u>	<u>(1,088,768)</u>
Net position (deficit) - ending	<u>\$ (1,497,389)</u>	<u>\$ (1,100,228)</u>	<u>(397,161)</u>

Basic instruction increased mainly due to increases in salaries and benefits. Fiscal services decreased due to a decline in other purchased services in the current year. Operations of plant increased largely as a result of increases in an uncollectible amount due from the management company and utility costs. Bond issuance fees decreased due to the School not issuing new bonds in the current year. Interest and fiscal charges decreased mainly due to a forbearance agreement related to the School's bonds.

**Governmental activities.** Governmental activities decreased the School's net position by \$ 397,161 for the year ended June 30, 2020. Governmental activities decreased the School's net position by \$1,088,768 for the year ended June 30, 2019.

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

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

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

The fund balance of the School's general fund decreased by \$71,329 during the current fiscal year ended June 30, 2020.

### **General Fund Budgetary Highlights**

Actual revenues are less than budgeted revenues by \$616,250 while budgeted expenditures exceeded actual expenditures by \$450,566.

The budgetary information can be found listed on the table of contents in this report.

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

**Capital Assets.** The School's net investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$ 7,416,572 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and equipment. Additional information on the School's capital assets can be found in the accompanying notes to the financial statements.

**Debt and Long-Term Liabilities.** The School financed the construction of its facilities through issuance of 2018A and 2018B revenue bonds. The bonds mature during the year ended June 30, 2026, and require monthly interest payments and one balloon payment. Additional information on the School's long-term debt can be found in the accompanying notes to the financial statements.

**Economic Factor**

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to decrease from 91 students in 2019/2020 to 75 students for the 2020/2021 school year.

**Request for Information**

This financial report is designed to provide a general overview of the Championship Academy of Distinction at Davie High School, Inc.'s finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Championship Academy of Distinction at Davie High School, Inc., 3020 NW 33rd Ave, Lauderdale Lakes, FL 33311.

**Championship Academy of Distinction at Davie High School, Inc.**  
**STATEMENT OF NET POSITION (DEFICIT)**  
**June 30, 2020**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	87,515
Restricted cash		81,064
Deposits		6,845
		175,424
Total current assets		175,424

**CAPITAL ASSETS**

Capital assets, net of accumulated depreciation:		
Building and Equipment		7,402,639
Furniture, fixtures and equipment		13,933
		7,416,572
Total capital assets, net		7,416,572
Total assets		7,591,996

**LIABILITIES AND NET POSITION (DEFICIT)**

**LIABILITIES**

Accrued payroll liabilities		46,320
Due to related parties		45,885
Nonexchange financial guarantee		87,180
Long-term liabilities:		
Bond payable, due after one year		8,910,000
		9,089,385
Total liabilities		9,089,385

**NET POSITION**

Net investment in capital assets, net of related debt		(1,493,428)
Restricted for:		
Deposits		6,845
Debt service		81,064
Unrestricted		(91,870)
		(91,870)
Total net position (deficit)		\$ (1,497,389)

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

**Championship Academy of Distinction at Davie High School, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental Activities:					
Basic instruction	\$ 328,437	\$ -	\$ 1,923	\$ -	\$ (326,514)
Instructional technology	7,391	-	-	-	(7,391)
School administration	151,599	-	-	-	(151,599)
Fiscal services	15,062	-	-	-	(15,062)
Food services	54,130	-	21,004	-	(33,126)
Student transportation	16,276	-	-	-	(16,276)
Operation of plant	313,570	-	-	-	(313,570)
Debt service - Interest & Fiscal Charges	129,124	-	-	-	(129,124)
Total governmental activities	<u>\$ 1,015,589</u>	<u>\$ -</u>	<u>\$ 22,927</u>	<u>\$ -</u>	<u>(992,662)</u>

General revenues:

State passed through local school distric	592,755
Local and other revenues	2,746
Total general revenues	<u>595,501</u>
Change in net position	(397,161)
Net position at July 1, 2019 (deficit)	<u>(1,100,228)</u>
Net position at June 30, 2020 (deficit)	<u>\$ (1,497,389)</u>

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

**Championship Academy of Distinction at Davie High School, Inc.**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2020**

	General Fund	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 87,515	\$ -	\$ -	\$ 87,515
Restricted cash	-	81,064	-	81,064
Due from other funds	13,696	-	-	13,696
Deposits	6,845	-	-	6,845
Total assets	\$ 108,056	\$ 81,064	\$ -	\$ 189,120
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accrued payroll liabilities	\$ 46,320	\$ -	\$ -	\$ 46,320
Due to other funds	-	13,696	-	13,696
Due to related parties	45,885	-	-	45,885
Nonexchange financial guarantee	87,180	-	-	87,180
Total liabilities	179,385	13,696	-	193,081
 <b>FUND BALANCES</b>				
Nonspendable				
Deposits	6,845	-	-	6,845
Restricted				
Debt service	-	67,368	-	67,368
Unassigned	(78,174)	-	-	(78,174)
Total fund balances	(71,329)	67,368	-	(3,961)
Total liabilities and fund balances	\$ 108,056	\$ 81,064	\$ -	\$ 189,120

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

**Championship Academy of Distinction at Davie High School, Inc.**  
**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**For the year ended June 30, 2020**

Total Fund Balance - Governmental Funds		\$ (3,961)
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:</p>		
Capital assets	7,763,550	
Accumulated depreciation	(346,978)	7,416,572
<p>Long-term liabilities, including note and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds payable		(8,910,000)
Net Position (Deficit) of Governmental Activities		\$ (1,497,389)

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



**Championship Academy of Distinction at Davie High School, Inc.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2020**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
State passed through local school district	\$ 592,755	\$ -	\$ -	\$ 592,755
Other revenues	2,746	-	22,927	25,673
Total revenues	<u>595,501</u>	<u>-</u>	<u>22,927</u>	<u>618,428</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	323,339	-	1,923	325,262
Instructional technology	7,391	-	-	7,391
School administration	151,599	-	-	151,599
Fiscal services	15,062	-	-	15,062
Food services	33,126	-	21,004	54,130
Student transportation	16,276	-	-	16,276
Operation of plant	120,037	-	-	120,037
Debt service:				
Interest & Fiscal Charges	-	129,124	-	129,124
	<u>666,830</u>	<u>129,124</u>	<u>22,927</u>	<u>818,881</u>
Excess (deficiency) of revenues over (under) expenditures	(71,329)	(129,124)	-	(200,453)
Fund balances at July 1, 2019	-	196,492	-	196,492
Fund balances at June 30, 2020	<u>\$ (71,329)</u>	<u>\$ 67,368</u>	<u>\$ -</u>	<u>\$ (3,961)</u>

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

**Championship Academy of Distinction at Davie High School, Inc.**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES –GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2020**

Net Change in Fund Balances - Governmental Funds		\$ (200,453)
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets decreased net position.</p>		
Provision for depreciation	(196,708)	(196,708)
Change in Net Position (Deficit)- Governmental Activities		\$ (397,161)

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

**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

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

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

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

2. Government-wide and fund financial statements

Government-wide financial statements, including the statement of net position (deficit) and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

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

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

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

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period.

When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt are recorded as expenditures only when payment is due.

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. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures and other financing sources and uses.

**Championship Academy of Distinction at Davie High School, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**Nonspendable:** This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.

**Restricted:** This classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.

**Committed:** This classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.

**Assigned:** This classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.

**Unassigned:** This classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the general fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet found in the table of contents.

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

**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

Debt Service Fund – to account for the resources accumulated and payments made for principal and interest on the revenue bonds.

4. Cash

Cash consists of petty cash on hand at the School and checking accounts held at a financial institution. The School has no cash equivalents.

5. Restricted assets

Certain proceeds of the School's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position (deficit) and balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The bond fund is used to account for the payment of principal and interest as these payments become due. The project fund is used to pay for issuing expenses and project costs. The debt service reserve fund is used to report resources set aside to provide additional security for the payment of principal and interest on the bonds as these payments become due.

6. Interfund activity

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. At the end of the year, the debt service fund owed the general fund \$13,696.

Transfers are used to move unrestricted general fund revenues to finance programs (i.e. national school lunch program) that the School must account for in other funds. During the year, no fund was transferred to fund another.

**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

7. Capital assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Furniture, fixtures and equipment	7

8. Long-term debt

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

9. Revenue recognition

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

10. Revenue Sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (“FTE”) students and related data to the District.

**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

10. Revenue Sources (continued)

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

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(l)(e)2., Florida Statutes. For the fiscal year ended June 30, 2020, the School reported 91.07 unweighted FTE and 93.4456 weighted FTE.

EFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

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



**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

10. Revenue sources (continued)

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

11. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all of its tax positions are more likely than not to be sustained upon examination. The School files Form 990 in the U.S. federal jurisdiction.

12. Budget

An operating budget is adopted and maintained by the governing board of the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements.

13. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimate amounts.

14. Recent accounting pronouncements

In June 2017, the GASB issued Accounting Standards Updated (“ASU”) No. 87, Leases, which will require lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today’s capital lease accounting. The new guidance is effective for reporting periods beginning after December 15, 2020. Early adoption is permitted. The School is evaluating the potential effect ASU No. 87 will have on its financial statements.

**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE B – CASH**

Cash is made up of deposits and cash on hand totaling \$113,112 at June 30, 2020. The School’s deposits must be placed with a financial institution designated by the Treasurer of the State of Florida as a “qualified public depository”, as defined in Chapter 280, Florida Statutes. The School deposits are held with a qualified depository and are covered by the collateral pool as the School has identified itself as a public entity. At June 30, 2020, none of the School’s balances held were exposed to custodial credit risk.

**NOTE C – CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets depreciated:				
Building and equipment	\$ 7,741,322	\$ -	\$ -	\$ 7,741,322
Furniture, fixtures and equipment	22,228	-	-	22,228
Total capital assets depreciated	<u>7,763,550</u>	<u>-</u>	<u>-</u>	<u>7,763,550</u>
Less accumulated depreciation:				
Building and equipment	145,150	193,533	-	338,683
Furniture, fixtures and equipment	5,120	3,175	-	8,295
Total accumulated depreciation	<u>150,270</u>	<u>196,708</u>	<u>-</u>	<u>346,978</u>
Total capital assets, net	<u>\$ 7,613,280</u>	<u>\$ (196,708)</u>	<u>\$ -</u>	<u>\$ 7,416,572</u>

Depreciation expense for the year ended June 30, 2020 was charged to functions of the School as follows:

Basic instruction	\$ 193,533
Operation of plant	<u>3,175</u>
	<u>\$ 196,708</u>

**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE D – RELATED PARTIES**

1. Related charter schools

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

As of June 30, 2020, the School’s receivables (payables) balance with related parties are the following:

<u>Championship Academy of Distinction</u>	<u>Receivables</u>	<u>Payables</u>	<u>Totals</u>
at Hollywood, Inc.	\$ -	\$ (49,014)	\$(49,014)
at Hollywood Middle, Inc.	14,658	-	14,658
at Davie, Inc.	4,091	(10,000)	(5,909)
at K-8 (3), Inc.	1,228	(6,848)	(5,620)
	<u>\$ 19,977</u>	<u>\$ (65,862)</u>	<u>\$(45,885)</u>

2. Management company

Effective June 30, 2020, the School has terminated the contracted management company for management of the day-to-day educational and operational aspects of the School. As of June 30, 2020, the management company has not made the 2018-2019 contribution within the required 60 days and the School has determined the contribution uncollectible. The due from (to) management company activity consists of the following for the year end June 30, 2020.

	<u>Due from (to)</u>
Balance at July 1, 2019	\$ 21,386
Management fee invoiced	2,000
Management fee payments	(2,000)
Uncollectible contributions	(21,386)
Balance at June 30, 2020	<u>\$ -</u>

**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE E – LONG-TERM DEBT**

1. Changes in long-term liabilities

The following is a summary of changes in long-term obligations of the School for the year ended June 30, 2020:

	Long-term obligation at July 1, 2019	Additions	Reductions	Long-term obligation at June 30, 2020	Due within one year
Revenue bonds:					
Series 2018A	\$ 8,425,000	\$ -	\$ -	\$ 8,425,000.00	\$ -
Series 2018B	485,000	-	-	485,000.00	-
	<u>\$ 8,910,000.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,910,000.00</u>	<u>\$ -</u>

The construction of the School’s facility in 2018 was financed by the issuance of Series 2018A and 2018B bonds, which totaled \$8,425,000, as educational facilities revenue bonds, maturing November 15, 2025, and carrying interest of 8.25%. Series 2018B totaled \$485,000 as a taxable educational facilities revenue bond, maturing November 15, 2025, and carrying interest of 8.50%.

The debt service requirements for the School’s bonds are expected to be funded from operating revenues received from the State of Florida through the District. As mentioned in Note A-8, funding is based upon actual weighted FTE students reported by the School during the designated FTE student survey periods.

Enrollment for the School during the 2019-2020 school year was 91 students. The number of students enrolled for the 2020-2021 school year is expected to decrease.

2. Bonds Payable

As a result of the School’s inability to pay principal and interest as due on the previous bond issues, the School entered into a forbearance agreement (“the agreement”) with the Trustee on June 30, 2020 and ending on May 30, 2021, unless extended. The forbearance requires the School to meet certain additional conditions:

- The outstanding amount of the Series 2018 Promissory Notes and Bonds shall not be subject to reduction.

**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

2. Bonds Payable (continued)

- Management or management consulting fees payable shall not exceed the equivalent of 14.00% of the School Board Payments of the Borrower. Management or management consultant fees for future fiscal years shall remain subordinate to debt service.
- On or before July 1, 2020, the School agrees to provide the Trustee a copy of its initial operating budget for FY 2021 (the “FY2021 Budget”) review. The FY2021 Budget shall be posted to EMMA within seven days of its adoption by the School’s governing body.
- In addition to the requirements of the loan agreement on or before the 15<sup>th</sup> of each month, commencing August 15, 2020, the School shall provide monthly financial reports to the Trustee and the Bondholder Representative.

The annual requirements to amortize all debt outstanding as of June 30, 2020 are as follows:

Years ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 611,831	\$ 611,831
2021	-	736,288	736,288
2022	-	736,288	736,288
2023	-	736,288	736,288
2024	-	736,288	736,288
2025-2026	8,910,000	1,012,396	9,922,396
	<u>\$ 8,910,000</u>	<u>\$ 4,569,379</u>	<u>\$ 13,479,379</u>

One area that demonstrates the School’s future borrowing capability is its debt service coverage ratio. This ratio tests the debt coverage required with revenue available. The revenue bond loan agreement requires debt service coverage ratio of 1.30, 1.50, 1.70 and 2.00 for the years ending June 30, 2020, 2021, 2022, 2023 and thereafter, respectively. The debt service coverage ratio for the year ended June 30, 2020 was as follows:

Net income available for debt service Maximum annual debt service

Net income available for debt service	\$	(71,329)
Maximum annual debt service	\$	736,288
Debt service coverage ratio		(0.10)

Another ratio that demonstrates the School’s ability to make debt service payments is the days cash on hand. The revenue bond loan agreement requires days cash on hand of 15, 30 and 60 for the years ending June 30, 2020, 2021, 2022 and thereafter, respectively. The days cash on hand for the year ended June 30, 2020 was as follows:

**Championship Academy of Distinction at Davie High School, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

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

2. Bond Payable (continued)

Cash on hand	\$	87,515
Total School operating expenses		<u>689,757</u>
Expenses per day		<u>1,890</u>
Days cash on hand		<u><u>46.31</u></u>

The School is required to disclose the calculation of debt service coverage ratio and days cash on hand as of June 30, 2020 under the bond agreement, however, are not required to meet the calculations as of that date.

**NOTE F – CONCENTRATIONS**

As stated in Note A-8, the School receives revenues for current operations primarily from the State of Florida through the District.

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Broward County, Florida	
Base student allocation	\$ 407,778
Declining enrollment	
Discretionary local effort	49,427
Digital classrooms allocation	146
Discretionary lottery	88
Supplemental academic instruction	20,161
Reading allocation	3,721
Proration to appropriation	(1,198)
ESE guaranteed allocation	15,255
Class size reduction	85,135
Transportation	20,176
Safe schools	5,460
Instructional materials	6,788
Funding compression allocation	721
Mental health allocation	2,219
FEFP adjustment	<u>(30,795)</u>
	<u>585,082</u>
Miscellaneous state revenue	7,673
Florida Teacher Lead Program	<u>1,923</u>
Total from the School Board of Broward County	594,678
Other revenue:	
National School Lunch Program	21,004
Other revenues	<u>2,746</u>
	<u><u>\$ 618,428</u></u>

The administrative fee paid to the District during the year ended June 30, 2020, totaled \$30,795.

**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

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

**NOTE H - COMMITMENTS AND CONTINGENCIES**

Management service contract

The School entered into a contract for the period July 1, 2016 to June 30, 2026 with Championship Academy of Distinction, LLC ("CAD"). The contract calls for CAD to provide the School with general management of the day-to-day educational and operational aspects of the School. Under the terms of the agreement, the School will pay fourteen and a half percent (14.5%) of FEFP revenues, less the District's administrative fee, in monthly installments. The total amount incurred during the year ended June 30, 2020, relating to this contract was \$2,000. As of June 30, 2020, the School has terminated the management company services and has determined the 2018-2019 contribution of \$21,386 is uncollectible. See Note D-2.

**NOTE I - CONTINGENT LIABILITIES**

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2020, may be impaired.

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

**NOTE J - RISK MANAGEMENT PROGRAMS**

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

**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE K - LEGAL MATTERS**

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

**NOTE L - LOAN GUARANTOR**

During December 2018, the School entered into a guaranty agreement with related Championship Academy of Distinction entities to guarantee a \$1,500,000 note payable to original EB-5 investors. The note has a due date which has been extended indefinitely and carries an interest rate of 7% plus a service fee rate of .34%, both which are paid monthly. As of June 30, 2020, the School was released from the guaranty.

**NOTE M – NONEXCHANGE FINANCIAL GUARANTEES**

On April 20, 2020, the School received loan proceeds in the amount of approximately \$87,180 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are guaranteed forgivable by the Small Business Administration (SBA) after eight or twenty-four weeks of utilization as long as the School uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the chosen utilization period.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. At this time, the School intends the proceeds received will be used for eligible purposes consistent with described conditions and believes it is more likely than not that the SBA will grant the forgiveness in full in accordance with the guarantee.

The liability recognized for the nonexchange financial guarantee by the School at June 30, 2020 is as follows:

July 1, 2019	Increase	Decrease	June 30, 2020
\$ -	\$ 87,180	\$ -	\$ 87,180



**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE N – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through June 9, 2021, the date which the financial statements were available for issuance; and has determined that no material events occurred that would require additional disclosure in the financial statements except as follows:

On March 9, 2020, the Governor of the State of Florida declared a state of emergency in response to the global Coronavirus Disease 2019 (COVID-19) pandemic. In the weeks following the declaration, precautionary measures to slow the spread of the virus had been ordered. These measures including the closing of schools and requiring Florida residents to stay home unless they are leaving for essential functions. Over the following weeks, a step process was used by the Florida economy to slowly reopened and on July 6, 2020, the State of Florida Department of Education, under the directions of the Governor, announced the reopening of the School related to 2020-21 Florida's Optional Innovative Reopening Plan.

Under this plan, the School is to reopen on August 19, 2020 and provide two options to return to School. The first option is for the School to open schools for all students desiring instruction in brick-and-mortar schools when local health officials' guidance allows for such operation for all student. The second option is to provide students with eLearning Innovation Model to ensure student receive a full day of "bona fide" instruction per Florida Administrative Code 6A-1.045111, Florida Statue 1003.436 and other applicable statutes and regulations.

In addition to mandated operational changes by the State, the School received Paycheck Protection Program Funds provided under the CARES act to continue to pay teachers over closure weeks of the School. The School has allocated these funds to be used only related to payroll, benefits, rent and utilities, and maintains its payroll levels over the utilization period in accordance with the restriction of the loan forgiveness. As of July 24, 2020, the School has used all monies related to these requirements and will be applying for forgiveness of the loan closer by the end of the 2020 year per the bank's instructions. The School believes it is more likely than not that it will receive forgiveness of the loan and has met the forgiveness requirements.

The future impact of COVID-19 pandemic may possibly affect future operating costs and revenues in the event of resurgence of cases and potential shut downs by the State or City.

**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE N – SUBSEQUENT EVENTS (continued)**

On July 1, 2020, the School entered into a consulting agreement with the Charter Consulting Group, LLC (the “Management Consultant”) related to condition set forth in the loan forbearance agreement related to the School’s bonds. The management consultant is hired to evaluate and recommend on an ongoing basis improvement to its operations, marketing, management, educational program, and facility improvement plans designed to grow enrollment, complete deferred construction projects mandated by City of Lauderdale Lakes, improve the current and long-term financial viability of the School and seek mutual agreeable restructuring of its long-term debt service obligation to the bondholder. The terms of the agreement are to commence of July 1, 2020 and run for two years until June 30, 2022. The School will pay a consulting fee equal to fourteen 14% of gross annual revenue received by the School based on pupil compensation paid by the State of Florida through the Florida Education Finance Program per the terms of the Charter Contract. Grants and private donations shall not be considered “gross annual revenue” excluded from the consultant fees. A monthly pro-rata share of the consultant fee will be paid to the consultant on the twentieth (20) day of each month during the term of the agreement. If the School has insufficient funds in any month to pay the School’s debt service, the consultant fee may temporarily go unpaid but will continue to accrue without interest. Further, payment of the consultant fee is subject to the terms of that certain forbearance agreement the School entered into with UMB Bank, N.A., as Trustee, contemporaneously with this agreement.

On August 1, 2020, the School entered into a 2 years working capital loan of up to \$500,000 with an 8 percent interest and principal due at maturity loan for roadwork, elevator repairs, floor repairs, site improvements (fencing, pavement, landscaping, basketball court) and operational deficits, cost of issuance, and such other uses as approved by the lender. The maturity date is August 1, 2022. As of August 7, 2020, \$235,000 of the loan was disbursed to an escrow account held to begin construction of the roads.

In May of 2021, The School received verbal confirmation from the bondholder trustee of an extension of the forbearance agreement until May 31, 2022 and is in compliance with the forbearance conditions (see Note E-2).

**REQUIRED SUPPLEMENTAL INFORMATION**

**Championship Academy of Distinction at Davie High School, Inc.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**For the year ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
State passed through local school district	\$ 1,202,993	\$ 587,170	\$ 592,755	\$ 5,585
Other revenues	-	-	2,746	2,746
Total revenues	<u>1,202,993</u>	<u>587,170</u>	<u>595,501</u>	<u>8,331</u>
Expenditures				
Basic instruction	427,246	304,884	323,339	(18,455)
Instructional technology	-	-	7,391	(7,391)
Student support services	23,742	9,617	-	9,617
Board expenses	6,500	-	-	-
General administration	82,921	-	-	-
School administration	168,795	181,662	151,599	30,063
Facilities and acquisitions	-	84,811	-	84,811
Fiscal services	8,000	-	15,062	(15,062)
Food services	-	-	33,126	(33,126)
Student transportation	45,000	-	16,276	(16,276)
Operation of plant	336,434	-	120,037	(120,037)
Maintenance of plant	10,000	-	-	-
Total expenditures	<u>1,108,638</u>	<u>580,974</u>	<u>666,830</u>	<u>(85,856)</u>
Excess (deficiency) of revenues over (under) expenditures	94,355	6,196	(71,329)	(77,525)
Other financing sources (uses)				
Transfers in/out	(33,240)	-	-	-
Net change in fund balance	61,115	6,196	(71,329)	(77,525)
Fund balance at July 1, 2019	-	-	-	-
Fund balance at June 30, 2020	<u>\$ 61,115</u>	<u>\$ 6,196</u>	<u>\$ (71,329)</u>	<u>\$ (77,525)</u>

**Championship Academy of Distinction at Davie High School, Inc.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL – DEBT SERVICE FUND**  
**For the year ended June 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources				
Transfer in from general fund	\$ -	\$ -	\$ -	\$ -
Expenditures				
Interest & Fiscal Charges	-	736,288	129,124	607,164
Total expenditures	-	736,288	129,124	607,164
Net change in fund balance	-	(736,288)	(129,124)	(607,164)
Fund balance at July 1, 2019	196,492	196,492	196,492	-
Fund balance at June 30, 2020	<u>\$ 196,492</u>	<u>\$ (539,796)</u>	<u>\$ 67,368</u>	<u>\$ (607,164)</u>

**Championship Academy of Distinction at Davie High School, Inc.**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2020**

**NOTE A – BUDGETARY INFORMATION**

Budgetary basis of accounting

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

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

## **COMPLIANCE INFORMATION**

**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  
Championship Academy of Distinction at Davie High School, Inc.  
Hollywood, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Championship Academy of Distinction at Davie High School, 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 30, 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 the School's internal control.

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, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2020-01 to be material weaknesses.



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 accompany schedule of findings and questioned costs as item 2020-2 to be significant deficiencies.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-3 – 2020-5.

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

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

### **Purpose of this Report**

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

*McDonough CPA Solutions, PA*

September 30, 2020  
Rockledge, Florida



**MANAGEMENT LETTER**

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

**Report on the Financial Statements**

We have audited the financial statements of Championship Academy of Distinction at Davie High School, Inc. (the “School”), a component unit of the Broward County School District, Florida, as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated September 30, 2020, except for Note N, as to which the date is June 9, 2021.

**Auditor’s Responsibility**

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

**Other Reports and Schedules**

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated June 9, 2021, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, corrective actions have been taken to address findings and recommendation made in the preceding annual financial audit report.

Tabulation of Uncorrected Audit Findings		
2019-20 Year Finding No.	2018-19 Year Finding No.	2017-18 Year Finding No.
2020-01	2019-001	
2020-02	2019-002	
2020-03	2019-003	
2020-04		
2020-05		
2019-001		
2019-002		
2019-003		

## **Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Department of Education of the entity is Championship of Academy of Distinction at Davie High School, Inc.; 5219.

## **Financial Condition and Management**

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific 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. The School is currently operating under a forbearance agreement with its bondholders effective through May 30, 2021, subject to extension (See subsequent event Note N). The School has met all conditions of the forbearance agreement as of June 9, 2021.

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 the 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 separate from the audit findings.

## **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 did not maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

## **Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did have the following findings 2020-04.

**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, other governmental agencies, the Board of Directors, applicable School's management, and the Broward County School District, and is not intended to be and should not be used by anyone other than these specified parties.

*McDonough CPA Solutions, PA*

September 30, 2020, except for Financial Condition paragraph above, as to which the date is  
June 9, 2021  
Rockledge, Florida

## MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

For the year ended June 30, 2020, there were the following audit findings, recommendations, or responses:

### **2020-01: Due from management company**

#### **Material Weakness**

**Condition and Criteria:** During our audit testing, it was discovered that the School's Due from management company (contribution) from the prior year was not collected within sixty days after the 2018/2019 year-end. Generally accepted accounting principal requires the collection within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period.

**Cause:** At June 30, 2020, the School's Due from management company balance included an outstanding balance related to the 2018-19 contribution for the School deficit that was not collected within sixty days to be used to pay current liabilities. In addition, the management contract was terminated after year-end causing significant doubt as to the collectability of the amount.

**Effect:** The Due from management company balance was overstated and uncollectible contributions classified as understated.

**Auditor's recommendation:** The School should institute procedures which will ensure the Due from management company balances are reconciled and uncollectible contributions for bad debt are expensed according to the sixty-day standards of collectability.

### **2020-02: Employee Contracts/Wage Approvals**

#### **Significant Deficiency**

**Condition and Criteria:** Per the Charter contract, the School agrees to implement the practices and procedures for hiring and dismissal, policies governing salaries, contracts, benefit packages, target staff size, staffing plan, and projected student-teacher ratio. The School's governing board will determine salaries, benefits, and Position/Title classification, provided that the School's governing board may establish any additional positions it deems necessary.

**Cause:** During the review of employee files, the School was unable to produce all employee contacts we selected our review and there was no evidence of boards' approval of salary, benefit, and position/title within the minutes.

**Effect:** The non-approval of salaries, contracts, and benefits packages allows for errors, both intentional and unintentional, to go undetected in human resource administration. In addition, the lack of new hiring contacts and annual renewal of contacts could allow for the over or under payment of employees and prevent the timely reporting of new hires, leaves of absence, transfers, and termination due to manipulations or mismanagement within the payroll process.

## MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

### **2020-02: Employee Contracts/Wage Approvals (continued)**

**Auditor's recommendation:** We recommend the School's board implement a review process to ensure all salaries, benefits, and position/title are approved and documented within the board minutes and the hiring process and procedures are implemented to create and maintain employee contracts in accordance with charter contract.

### **2020-03 – Website maintenance**

#### **Noncompliance**

**Condition and Criteria:** Per Florida Statute 1002.33(9)(p), each charter school shall maintain a website that enables the public to obtain information regarding the school. The School's charter agreement requires the School to update their website quarterly for board member names, meetings, minutes, current year budget, public accountability report, and recent independent fiscal audit.

**Cause:** During our audit, we were unable to find the School's board member names, meetings, minutes, current year budget, public accountability report and recent independent fiscal audit on the School's website.

**Effect:** The public should have information about the School's governing board and activities easily accessible on its website.

**Auditor's recommendation:** We recommend that the School maintain the website on a quarterly basis to have current information about the board member names, meetings, minutes, current year budget, public accountability report and recent independent fiscal audit on the School's website.

### **2020-04: Budget Expenditures**

#### **Noncompliance**

**Condition and Criteria:** Per Florida Statutes 1002.33(9)(h), the governing board of the charter school must annually adopt and maintain an operating budget for the charter school's operations. This budget should be a balanced budget whereby there are adequate resources to fund all budgeted appropriations. In addition, expenditures should not exceed appropriations authorized by the Board.

## MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

### 2020-04: Budget Expenditures (continued)

**Cause:** Although the School had an internal adopted and amended budget during the fiscal year for changes in activity, the budget was not maintained for all changes in operating activity. The original budget was unbalanced and provided for too many resources to be available to the School as compared to the economic circumstances. Therefore, the original and amended budget were not approved by the School District. As reported in the Budgetary Comparison Schedule for the General Fund, actual expenditures exceeded final budgeted expenditures by \$85,856. Also, as reported, the Budgetary Comparison Schedule for the Debt Service Fund, final budgeted expenditures exceeded final actual expenditures by \$607,164.

**Effect:** The School's operating budgets are created to help management control operations related to the revenue earned and the cost spent. Due to an unapproved budget by the district, the School did not have guidelines to control spending and revenues resulting in negative operating results.

**Auditor's recommendation:** The School must annually adopt and maintain an operating budget and submit its approved budget to the District by July 1st of each year along with a copy of the minutes of board meetings showing approval of the budget by the Governing Board. The School's budget process will identify realistic enrollment projections for the original budget. The budget will be reviewed on a monthly basis to include a review of actual expenses and actual revenues. As needed and appropriate, enrollment projections, revenues and expenses will be adjusted and modified. The School will submit a budget amendment after October and February FTE periods, and a final budget within 60 days of the fiscal year-end. A projected amount of contributions for the management company will be included in the budget, as needed, to ensure a positive fund balance.

### 2020-05: Insurance Policy Maintenance Noncompliance

**Condition and Criteria:** The School received multiple insurance cancellations for the fiscal year ending June 30, 2020.

**Cause:** The management company failed to pay invoice timely resulting in the cancellations.

**Effect:** The School was not properly insured as required by Florida state statues and the charter agreement. The School has not received cancellation of insurance since January 2020 due to new internal control policies and procedures in place.

**Recommendation:** The School continue to follow their new policies and procedures to ensure no insurance cancellations occur in the future.

## MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

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

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

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

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

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

**Status Continued:** In the June 30, 2020 audit, there were multiple disbursements that did not have supporting documentation (i.e. invoices, purchase orders, check requests, packing slips, or other support). In addition, we noted several invoices not being paid within the ninety days after the claim is presented due to cash flow shortages. Lastly, we noted two invoice totaling \$9,000 accrued and paid in the current year that were related to 2018-2019 fiscal year. Since January 2020, the School has maintained adequate documentation and proper approvals in accordance with their Accounting Policy and Procedure manual.

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

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

**Cause:** Auditor noted during testing of internal controls over disbursements, that the School purchases goods and services with a debit card and credit card, and that the purchases are often not accrued on the books at period end. In addition, auditor noted card charges to numerous gas stations, movie theatres and restaurants.

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

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

**Status Continued:** We noted credit card transactions still lacked management controls related to approvals and retention of receipts through December 2019 but recording of transaction has been corrected. As of January 2020, the School has not allowed the use of purchase cards in the School unless it is properly approved and proper documentation maintained.



### **2019-003: Segregation of Duties**

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

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

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

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

**Status Continued:** During the audit, there was a lack of segregation of duties related management control authority. Specifically, the management company was approving invoices and signing checks sent out to vendors on behalf of the School. In addition, there were multiple versions of signature of the authorized check signer and several checks were signed by an unauthorized signer. As of January 2020, the School implemented an Accounting Policy and Procedures Manual that implemented proper segregation of duties over cash disbursements, payroll, key reconciliations and journal entries.