



The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
(A Charter School under The Charter Schools of Excellence, Inc.
and a Component Unit of The School Board of Broward County, Florida)

Fort Lauderdale, Florida

Financial Statements and
Independent Auditor's Report

June 30, 2020

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The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
(A charter school under The Charter Schools of Excellence, Inc.)

W/L #: 5271

2801 North University Drive,
Pembroke Pines, Florida 33024

2019-2020

BOARD OF DIRECTORS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Charter Schools of Excellence, Inc.
Fort Lauderdale, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus (the "School"), a charter school under The Charter Schools of Excellence, Inc. , which is a component unit of the District School Board of Broward County, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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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 Charter Schools of Excellence, Inc. #5271 Davie 1 Campus 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.

Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of as of June 30, 2020, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of The Charter Schools of Excellence, Inc. These financial statements do not purport to and do not present fairly the financial position of The Charter Schools of Excellence, Inc. as of June 30, 2020 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information on pages 33 through 37 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 29, 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, 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 the 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2020

Management's Discussion and Analysis

The Charter Schools of Excellence, Inc. #5271 Davie Campus 1
(A Charter School Under The Charter Schools of Excellence, Inc.)

June 30, 2020

The corporate officers of The Charter Schools of Excellence, Inc. #5271 Davie Campus 1 have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2020.

Financial Highlights

1. The net position of the Charter School at June 30, 2020 was \$142,784.
2. At year-end, the School had current assets on hand of \$250,212.
3. The net position of the School decreased by \$442,626 during the year.
4. The unassigned fund balance at year end was \$22,252.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2020 are presented in accordance with GASB Codification Section 2200. The financial statements have 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 of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between the four is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

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

The Board of the School adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Notes to 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 15-32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was \$142,784 at the close of the fiscal year. A summary of the School's net position as of June 30, 2020 and 2019 follows:

	2020	2019
Cash	\$ 111,075	\$ 336,862
Investments	92,000	-
Prepaid expenses	19,521	3,081
Due from other agencies	7,548	-
Other assets	20,068	65,319
Due to other divisions of The Charter Schools of Excellence, Inc.	-	375,153
Capital assets, net	841,233	550,342
Total Assets	1,091,445	1,330,757
Deferred outflows of resources	810,527	497,118
Accounts payable and accrued liabilities	92,601	42,639
Salaries and wages payable	95,770	97,582
Capital lease obligations and loan payable	220,814	199,187
Net pension liability	1,258,204	815,823
Total Liabilities	1,667,389	1,155,231
Deferred inflows of resources	91,799	87,234
Net Position:		
Net investment in capital assets	620,419	351,155
Unrestricted	(477,635)	234,255
Total Net Position	\$ 142,784	\$ 585,410

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2020 and June 30, 2019 follows:

	<u>2020</u>	<u>2019</u>
REVENUES		
Program Revenues		
Operating grants and contributions	\$ 105,472	\$ 96,376
Capital outlay funding	156,852	198,525
Lunch program	94,591	123,224
General Revenues		
Local sources (FTE and other non specific)	2,204,683	2,356,752
Charges for services	104,406	100,938
Investment earnings and other revenue	168,738	196,759
Total Revenues	<u>\$ 2,834,742</u>	<u>\$ 3,072,574</u>
EXPENSES		
Instruction	\$ 1,425,368	\$ 1,316,953
Student support services	13,150	19,704
Instructional staff training	1,871	8,919
Board	29,605	42,757
General administration	36,050	-
School administration	809,901	661,483
Fiscal services	67,041	172,478
Food services	113,888	135,225
Central services	115,013	76,591
Pupil transportation services	12,907	51,300
Operation of plant	412,783	396,376
Maintenance of plant	105,920	58,750
Community services	114,683	-
Interest	19,188	12,565
Total Expenses	<u>3,277,368</u>	<u>2,953,101</u>
Change in Net Position	(442,626)	119,473
Net Position at Beginning of Year	585,410	465,937
Net Position at End of Year	<u>\$ 142,784</u>	<u>\$ 585,410</u>

The School's revenue decreased by \$237,832 and expenses increased by \$324,267. The School had a decrease in its net position of \$442,626 for the year.

School Location and Lease of Facility

The School leases a facility located at 2801 North University Drive, Pembroke Pines, Florida 33024.

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, 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.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$61,841. The fund balance unassigned and available for spending at the School's discretion is \$22,252. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets as of June 30, 2020 amounts to \$841,233 (net of accumulated depreciation). This investment in capital assets includes improvements, textbooks and materials, and furniture, fixtures and equipment. As of June 30, 2020, the School had \$220,814 of debt associated to its capital assets and working capital.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding	\$ 192,340	\$ 175,820	\$ 156,852
Federal sources	101,329	103,751	105,472
Lunch program	100,000	92,060	94,591
Charges for services	100,120	103,512	104,406
General Revenues			
FTE and other nonspecific revenues	2,388,867	2,195,698	2,204,683
Charges and other revenues	180,439	152,128	168,738
Total Revenues	\$ 3,063,095	\$ 2,822,969	\$ 2,834,742
CURRENT EXPENDITURES			
Instruction	\$ 1,362,301	\$ 1,152,778	\$ 1,284,801
Student support services	15,250	14,521	13,150
Instructional staff training	5,000	2,500	1,871
Board	32,145	29,600	29,605
General administration	36,639	37,512	36,050
School administration	784,664	814,585	808,562
Fiscal services	66,235	67,400	67,041
Food services	119,829	114,051	113,888
Central services	138,450	116,700	115,013
Pupil transportation services	12,410	13,250	12,907
Operation of plant	580,392	436,244	391,294
Maintenance of plant	48,000	55,000	48,553
Community Services	116,853	121,905	114,683
Total Current Expenditures	\$ 3,318,168	\$ 2,976,046	\$ 3,037,418

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year.

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to the Senior Management Team, The Charter Schools of Excellence, Inc., 1217 Southeast 3rd Avenue, Fort Lauderdale, Florida 33316.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
(A charter school under The Charter Schools of Excellence, Inc.)

Statement of Net Position
June 30, 2020

<u>Assets</u>	<u>Governmental Activites</u>
Current assets:	
Cash	\$ 111,075
Investments	92,000
Prepaid expenses	19,521
Due from other agencies	7,548
Other assets	<u>20,068</u>
Total current assets	<u>250,212</u>
Capital assets, depreciable	1,235,854
Less: accumulated depreciation	<u>(394,621)</u>
	<u>841,233</u>
Total Assets	<u>1,091,445</u>
<u>Deferred Outflows of Resources</u>	
Deferred outflows related to pension liability	<u>810,527</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and accrued expenses	92,601
Salaries and wages payable	95,770
Capital lease obligations and long-term debt, current	<u>92,040</u>
Total Current Liabilities	280,411
Net pension liability	1,258,204
Capital lease obligations and long-term debt	<u>128,774</u>
Total Liabilities	<u>1,667,389</u>
<u>Deferred Inflows of Resources</u>	
Deferred inflows related to pension liability	<u>91,799</u>
Net Position:	
Net investment in capital assets	620,419
Unrestricted (deficit)	<u>(477,635)</u>
Total Net Position	<u>\$ 142,784</u>

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

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
(A charter school under The Charter Schools of Excellence, Inc.)

Statement of Activities
For the year ended June 30, 2020

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 1,425,368	\$ -	\$ 105,472	\$ -	\$ (1,319,896)
Student support services	13,150	-	-	-	(13,150)
Instructional staff training	1,871	-	-	-	(1,871)
Board	29,605	-	-	-	(29,605)
General administration	36,050	-	-	-	(36,050)
School administration	809,901	-	-	-	(809,901)
Fiscal services	67,041	-	-	-	(67,041)
Food services	113,888	10,012	84,579	-	(19,297)
Central services	115,013	-	-	-	(115,013)
Pupil transportation services	12,907	-	-	-	(12,907)
Operation of plant	412,783	-	-	156,852	(255,931)
Maintenance of plant	105,920	-	-	-	(105,920)
Community services	114,683	104,406	-	-	(10,277)
Interest on long-term debt	19,188	-	-	-	(19,188)
Total governmental activities	3,277,368	114,418	190,051	156,852	(2,816,047)
General revenues:					
FTE and other nonspecific revenues					2,204,683
Other revenues					166,966
Investment earnings					1,772
Change in net position from operations					(442,626)
Net position, beginning					585,410
Net position, ending					\$ 142,784

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

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
(A charter school under The Charter Schools of Excellence, Inc.)

Balance Sheet - Governmental Funds
June 30, 2020

	General Fund	Special Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 111,075	\$ -	\$ -	\$ 111,075
Investments	92,000	-	-	92,000
Prepaid expenses	19,521	-	-	19,521
Other assets	20,068	-	-	20,068
Due from other agencies	-	1,656	5,892	7,548
Due from fund	7,548	-	-	7,548
Total Assets	<u>250,212</u>	<u>1,656</u>	<u>5,892</u>	<u>257,760</u>
Deferred Outflows of Resources				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>				
Salaries and wages payable	95,770	-	-	95,770
Accounts payable and accrued expenses	92,601	-	-	92,601
Due to fund	-	1,656	5,892	7,548
Total Liabilities	<u>188,371</u>	<u>1,656</u>	<u>5,892</u>	<u>195,919</u>
Deferred Inflows of Resources				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund balance</u>				
Nonspendable, not in spendable form	39,589	-	-	39,589
Unassigned	22,252	-	-	22,252
	<u>61,841</u>	<u>-</u>	<u>-</u>	<u>61,841</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 250,212</u>	<u>\$ 1,656</u>	<u>\$ 5,892</u>	<u>\$ 257,760</u>

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

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
(A charter school under The Charter Schools of Excellence, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2020

Total Fund Balance - Governmental Funds \$ 61,841

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

Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the fund.

Capital assets	1,235,854	
Accumulated depreciation	<u>(394,621)</u>	841,233

Deferred outflows of resources related to pension liability. 810,527

Noncurrent liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the fund.

Net pension liability	(1,258,204)
Deferred inflows of resources	(91,799)

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. (220,814)

Total Net Position - Governmental Activities \$ 142,784

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

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
(A charter school under The Charter Schools of Excellence, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2020

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 156,852	\$ 156,852
State passed through local	2,204,683	-	2,204,683
Federal school lunch program	-	84,579	84,579
Charges for services	104,406	10,012	114,418
Federal sources	-	105,472	105,472
Investment earnings and other revenue	168,738	-	168,738
Total Revenues	2,477,827	356,915	2,834,742
Expenditures:			
Current			
Instruction	1,179,329	105,472	1,284,801
Student support services	13,150	-	13,150
Instructional staff training	1,871	-	1,871
Board	29,605	-	29,605
General administration	36,050	-	36,050
School administration	808,562	-	808,562
Food services	-	113,888	113,888
Fiscal services	67,041	-	67,041
Central services	115,013	-	115,013
Pupil transportation services	12,907	-	12,907
Operation of plant	234,442	156,852	391,294
Maintenance of plant	48,553	-	48,553
Community services	114,683	-	114,683
Capital Outlay:			
Other capital outlay	378,115	-	378,115
Debt Service:			
Repayment of capital lease obligations	-	58,560	58,560
Interest	-	19,188	19,188
Total Expenditures	3,039,321	453,960	3,493,281
Excess (deficit) of revenues over expenditures	(561,494)	(97,045)	(658,539)
Other financing sources (uses)			
Transfers in (out)	(97,045)	97,045	-
Long term debt advances	80,186	-	80,186
Net change in fund balance	(578,353)	-	(578,353)
Fund Balance at beginning of year	640,194	-	640,194
Fund Balance at end of year	\$ 61,841	\$ -	\$ 61,841

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

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
 (A charter school under The Charter Schools of Excellence, Inc.)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
 of Governmental Funds to the Statement of Activities
 For the year ended June 30, 2020

Net Change in Fund Balance - Governmental Funds \$ (578,353)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differed from depreciation expense.

Capital Outlay	378,115	
Depreciation expense	<u>(87,225)</u>	290,890

The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds differed repayments. (21,626)

The changes in net pension liability and related deferred inflows and outflows are not reported in the fund statements and the net effect is to decrease net position. (133,537)

Change in Net Position of Governmental Activities \$ (442,626)

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Charter Schools of Excellence, Inc. #5271 Davie Campus 1 (the "School"), is a component unit of the School Board of Broward County, Florida (the "District"). The Schools charter is held by The Charter Schools of Excellence, Inc. , a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of The Charter Schools of Excellence, Inc. , which is composed of six members and also governs one other charter school. The board has determined that no component units exist that would require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Broward County, Florida. The current charter expires on June 30, 2028 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School is located in Pembroke Pines, Florida for students from kindergarten through fifth grade. These financial statements are for the year ended June 30, 2020, when on average 297 students were enrolled for the school year.

Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal inter-fund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services, such as food service and student activity fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants and contributions specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues and other miscellaneous sources.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Fund financial statements are provided for governmental funds and fiduciary funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. The School reports the following major governmental funds with all non-major funds aggregated in a single column:

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.

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available.

Non-exchange transactions occur when the School provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable.

When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School has adopted GASB Codification Section 3100 *Fair Value Measurement and Application* (see Note 2).

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with a cost of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government wide financial statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds. Estimated useful lives, in years, for depreciable assets are as follows:

Improvements	5 - 30 Years
Furniture, Equipment, and Computers	5 - 10 Years
Software	3 Years

Prepaid Expenses and Other Assets

Other assets consist mainly of prepaid expenses which are payments for goods or services that have not been consumed or used at year end. The expenditure will be recorded when the asset is used. Accordingly, prepaid expenses are equally offset by a nonspendable fund balance classification.

Inter-fund Transfers

Interfund receivables/payables are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies relate to grants or programs for which the services have been provided by the School.

Compensated Absences

Full time employees of the School, after 30 days of employment, are entitled to be paid for eight or ten days of sick leave in each calendar year, depending on whether they are ten or twelve month employees, respectively. In the event of termination, each qualifying employee is not entitled to receive payment for accumulated unused sick days. Each full time twelve-month employee is entitled to annual paid vacation leave, which is accrued when earned. The amount of paid vacation time ranges from five days after one-year employment to fifteen days after ten years employment. In the event of termination, each qualifying employee is entitled to receive payment equal to one hundred percent of the value of the total accumulated unused vacation days.

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefits years.

The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School's items that qualify for reporting in this category are related to participation in the pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School's items that qualify for reporting in this category are related to participation in the pension plan.

Net Pension Liability

As a participating employer in the Florida Retirement System, the School recognizes its proportionate share of the collective net pension liabilities of the Florida Retirement System (FRS) cost-sharing multiple-employer defined benefit plans. Additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the FRS.

The School's retirement plans and related amounts are described in a subsequent note.

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue Sources

Revenues for current operations are received primarily from State through the 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, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

In addition, the School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District.

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Net Position and Fund Balance Classification

Government-wide financial statements

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for a specific purpose, it is the Schools's policy to use restricted resources first, until exhausted, before using unrestricted resources.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund financial statements

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

- a) Nonspendable - includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end relate to not in spendable form assets.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification that is intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Income Taxes

The Charter Schools of Excellence, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 29, 2020, which is the date the financial statements were available to be issued.

Note 2 – Cash and Investments

Deposits

The School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2020, the School's deposits consisted of cash balances of \$115,631.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under The Charter Schools of Excellence, Inc. , which also operates another charter school. All bank accounts are opened under the account ownership of The Charter Schools of Excellence, Inc. , therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2020, there were no bank balances in potential excess of FDIC coverage.

Investments

The School categorizes its fair value measurements within the fair value hierarchy established by GASB Codification Section 3100 *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2020, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$250,000 valued using Level 2 inputs.

The government money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of June 30, 2020, maturities of the fund's portfolio holdings are approximately 63% within 30 days.

Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated government money market mutual funds. The fund is rated Aaa-mf by Moody's.

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2020, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

Note 3 – Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2020:

	Balance 07/01/19	Additions / Transfers In	Retirements / Reclassification	Balance 06/30/20
Capital Assets, non-depreciable:				
Construction in progress	\$ 41,938	\$ 257,243	\$ (299,181)	\$ -
Total Capital Assets, non-depreciable	41,938	257,243	(299,181)	-
Capital Assets:				
Improvements	\$ 777,426	\$ 299,181	\$ (115,692)	\$ 960,915
Furniture, equipment and computers	275,389	114,762	(124,706)	265,444
Computer software	8,953	6,110	(5,568)	9,495
Total Capital Assets	1,103,706	677,296	(545,147)	1,235,854
Less Accumulated Depreciation:				
Improvements	(499,051)	(71,302)	199,657	(370,696)
Furniture, equipment and computers	(54,312)	(14,524)	41,597	(22,527)
Computer software	-	(1,398)	-	(1,398)
Total Accumulated Depreciation	(553,363)	(87,224)	241,254	(394,621)
Capital Assets, net	<u>\$ 550,343</u>	<u>\$ 590,072</u>	<u>\$ (303,893)</u>	<u>\$ 841,233</u>

For the fiscal year ended June 30, 2020, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$	7,029
School administration		1,339
Operation of plant		21,489
Maintenance of plant		57,367
Total Depreciation Expense	<u>\$</u>	<u>87,224</u>

Note 4 – Education Service and Support Provider

Academica Broward, LLC (“Academica”), an educational service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting and virtual services. The agreement between the School and the education service provider calls for a per student fee.

The agreement is with The Charter Schools of Excellence, Inc. and unless terminated by the board shall be renewed on an annual basis. During the year ended June 30, 2020, the School incurred \$134,550 in fees related to this agreement, of which approximately \$67,275 was granted to the school via non-recoverable grant and approximately \$67,000 was payable at year-end.

Note 5 – Transactions with other Divisions of The Charter Schools of Excellence, Inc.

The Charter Schools of Excellence, Inc. operates one other charter school. The schools operated by The Charter Schools of Excellence, Inc. share administrative staff, as well as other operating expenses.

Other

The School conducts certain business with a foundation controlled by a member of its Board of Directors and deems that all services and materials supplied are arm's length transactions and at fair value. In addition, this member recuses from voting on matters relating to these transactions. See Note 7.

The CEO/Superintendent of the School is an officer of the Florida Consortium of Public Charter Schools. From time to time the School conducts business with the Consortium. During the year ended June 30, 2020, the School received approximately \$61,000 in reimbursements of salaries and wages for common employees of the School and the Consortium.

The Charter Schools of Excellence, Inc. has entered into a lease for its administrative offices and classrooms with a private foundation whose Board of Directors includes the Superintendent and three members of the School's Board of Directors. From time to time funds are loaned between the Schools and the Foundation. See Note 7.

Note 6 – Capital Lease Obligations and Loans Payable

Capital Lease

The School entered into a capital lease agreements for the acquisition of certain computer equipment which is stated at acquisition cost and reported as capital assets. At June 30, 2020, the cost of leased equipment recorded in capital assets was \$115,833, with accumulated depreciation of \$19,547, for a net book value of \$97,248.

The following is a summary of the future minimum lease payments, under capital leases together with the present value of the minimum lease payments as of June 30, 2020:

Fiscal Year	Payments
2021	\$ 29,869
2022	29,869
2023	29,869
2024	4,978
Total	94,585
Less amount representing interest:	(14,399)
Present Value of Minimum Lease Payments:	<u>\$ 80,186</u>

Note 6 – Capital Lease Obligations and Loans Payable (continued)

Line of Credit

In January 2020, the Charter Schools of Excellence, Inc. renewed a \$150,000 line of credit with a financial institution. The loan is secured by a lien on the equipment and fixtures, inventory, and accounts receivable of the Charter Schools of Excellence, Inc. At June 30, 2020, no balance of the line of credit was allocated to the School. Interest, when incurred, is charged at the prime rate plus one and a half percent. Interest expense on the entire line of credit for the year ended June 30, 2020, was \$3,915, none of which was allocated to this School.

Note Payable (Long-Term Debt)

The School has an outstanding note payable of \$145,040, net of unamortized debt issuance costs of \$3,101, to Building Hope, Inc., a charter schools facilities fund. The proceeds were used to cover the costs associated with capital improvements. The note bears interest at six percent and is payable in monthly installments of interest and principal of \$5,765. The loan matures July 2022. The note is secured by a lien on the leasehold improvements owned by The Charter Schools of Excellence, Inc.

	Balance 06/30/19	Advances	Repayments	Balance 06/30/20
Capital lease obligation	\$ -	\$ 115,833	\$ (35,647)	\$ 80,186
Note payable	203,600	-	(58,560)	145,040
Less debt issuance costs	(4,413)	-	1,312	(3,101)
Total Long Term Note Payable, net	<u>\$ 199,187</u>	<u>\$ 115,833</u>	<u>\$ (92,895)</u>	<u>\$ 222,125</u>

Future maturities of long-term debt as of June 30, 2020 are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 62,171	\$ 7,012	\$ 69,183
2022	66,006	3,177	69,183
2023	16,863	146	17,009
Total	<u>\$ 145,040</u>	<u>\$ 10,335</u>	<u>\$ 155,375</u>

Note 7 – Commitments, Contingencies and Concentrations

Leases

The School entered into an operating lease agreement for its Davie Campus facilities with a lease term expiring on April 16, 2023 with an option to renew for an additional five year period.

In addition, the School leases administrative offices from a private foundation controlled by members of the Board of Directors. See Note 5.

For 2020, rent expense related to the facility totaled \$121,468. Of this amount, approximately \$9,200 and was paid to a related party, respectively.

Note 7 – Commitments, Contingencies and Concentrations (continued)

Future minimum payments under this lease are as follows:

<u>Year</u>		
2021	\$	113,645
2022	\$	113,645
2023	\$	113,645

Contingencies and Concentrations

The School receives substantially all of its funding from the State through the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2020, administrative fees withheld by the School District totaled \$36,050.

Employment Contracts

The Board of Directors of The Charter Schools of Excellence, Inc. has entered into an employment contract with its Superintendent. The term of this agreement commenced April 16, 2008 and continues until April 15, 2023 or until employment is terminated. Under the terms of this contract, the Superintendent is entitled to severance pay if the contract is terminated without showing reasonable cause in the amount equal to all of the aggregate salary and benefits to which the Superintendent would have otherwise been entitled under the agreement, from the date of termination for the remaining term of the agreement, in a lump sum within thirty days after the date of termination. It is impractical to estimate the amount of compensation relating to a termination, and, accordingly, no liability has been recognized in the accompanying financial statements. It is the School's policy to recognize these costs of termination when and if actually paid.

COVID

On January 21, 2020 the Centers for Disease Control and Preventions (CDC) confirmed the first case of 2019 Novel Coronavirus (COVID-19) in the United States. The ongoing spread of the new COVID-19 has become a threat to the global economy and financial markets. Pursuant to local emergency orders, the School converted to distance learning on March 13, 2020 for the remainder of the school year. The ultimate effect of COVID-19 on the School and its future operations cannot presently be determined.

Note 7 – Commitments, Contingencies and Concentrations (continued)

Legal Contingencies

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 8 – Risk Management

The School is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; administrative errors and omissions; personal injury; workers compensation and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past years. In addition, there were no reductions in insurance coverage from those in the prior year.

Note 9 – Retirement Plans

Defined Benefit Pension Plan

Plan Description. The School participates in the Florida Retirement System (FRS) Pension Plan and the Retiree Health Insurance Subsidy (HIS) Program. The FRS is a cost-sharing, multiple-employer, defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established to assist retired members of any State-administered retirement system in paying the costs of health insurance and administered in accordance with section 112.363, Florida Statutes. Such provisions may be amended at any time by further action from the Florida Legislature. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

Note 9 – Retirement Plans (continued)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits. The School had one DROP participant during fiscal 2020.

Benefits Provided. The FRS provides a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in the School. The HIS benefit is a monthly payment to assist retirees of the state-administered retirement system in paying their health insurance costs.

A DROP, subject to provisions of Section 121.091 , Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust and accrue interest.

Contributions - The contribution rates for members are established, and may be amended, by the State of Florida. During the 2020 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00%	8.26%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.66% for the post employment health insurance supplement and 0.06% for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependant upon the retirement class in which reemployed.

Employer contributions are recognized by the FRS in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the FRS. Employer contributions recognized by the FRS from the School were \$145,473 for the FRS and \$36,368 for the HIS for the year ended June 30, 2020.

Defined Contribution Plan. Effective July 1, 2002, the FRS Investment Plan was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer contributions that are based on salary and membership class (i.e. , regular class, reemployed retiree, etc.).

Note 9 – Retirement Plans (continued)

Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. The School did not have any Investment Plan participants during fiscal 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for the FRS Pension Plan at July 1, 2017 has been increased due to the restatement of the fund's beginning net position as a result of the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The effect on the School was a trivial adjustment to the financial statements as presented.

At June 30, 2020, the School reported a liability of \$1,258,204 for its proportionate share of net pension liability, consisting of \$847,462 for the FRS and \$410,722 for the HIS. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was calculated using accrued retirement contributions for employers that were members of the FRS and HIS during fiscal years 2013, 2014, 2015, 2016, 2017, 2018, and 2019.

At June 30, 2013, 2014, 2015, 2016, 2017, 2018, and 2019 the School's proportions for FRS were 0.000863994 percent, 0.000943401 percent, 0.001496062 percent, 0.001589406 percent, 0.001468793 percent, 0.001686331 percent, and 0.002460791 percent respectively; the School's proportions for HIS were 0.001353724 percent, 0.001598480 percent, 0.002286370 percent, 0.002616358 percent, 0.002609312 percent, 0.002908991 and 0.003670765 percent, respectively.

For the year ended June 30, 2020, the School recognized a net pension expense after GASB 68 adjustments of \$118,892. Employer contributions in the allocated schedules for the defined benefit plans represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer. The year-to-year pension expense number is likely to be volatile.

Note 9 – Retirement Plans (continued)

At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Florida Retirement System		
Difference between expected and actual experience	\$ 50,265	\$ 526
Changes of assumptions or other inputs	217,665	
Net difference between projected and actual earnings on pension plan investments	-	46,886
Changes in proportion and differences between contributions recognized and proportionate share of contributions	181,689	9,930
Contributions subsequent to the measurement date	145,473	-
Total Florida Retirement System	<u>\$ 595,092</u>	<u>\$ 57,342</u>

	Deferred Outflows of Resources	Deferred Inflows of Resources
Health Insurance Subsidy Program		
Difference between expected and actual experience	\$ 4,989	\$ 503
Changes of assumptions or other inputs	47,558	33,549
Net difference between projected and actual earnings on pension plan investments	265	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	126,255	405
Contributions subsequent to the measurement date	36,368	-
Total Health Insurance Subsidy Program	<u>\$ 215,435</u>	<u>\$ 34,457</u>

Contributions of \$181,841, consisting of \$145,473 for the FRS and \$36,368 for the HIS, are reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended June 30, 2020.

Note 9 – Retirement Plans (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the years ended June 30, as follows:

	FRS	HIS
2021	\$ 79,973	\$ 7,986
2022	24,125	6,391
2023	58,289	3,499
2024	43,971	(2,541)
2025	11,340	461
Thereafter	2,819	2,942
Total	<u>\$ 220,518</u>	<u>\$ 18,739</u>

Actuarial Assumptions – The total pension liability for FRS and HIS were determined by an actuarial valuation as of June 30, 2019, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60 percent. Payroll growth for both plans is assumed at 3.25 percent. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.90 percent. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS program uses a pay-as-you-go funding structure, a municipal bond rate of 3.50 percent was used to determine the total pension liability for the program.

Mortality assumptions for the FRS Pension Plan were based on the PUB-2010 base table, projected generationally with Scale MP-2018, and mortality assumptions for the HIS Program were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2019:

- FRS: The long-term expected rate of return was decreased from 7.00% to 6.90%, and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.
- HIS: The municipal bond rate used to determine total pension liability was increased from 3.87% to 3.50%.

The actuarial assumptions for the FRS Pension Plan that determined the total pension liability as of June 30, 2019 were based on the results of an actuarial experience study for the period June 30, 2013 through June 30, 2018.

Note 9 – Retirement Plans (continued)

Because the HIS Program is funded on a pay-as-you-go basis. As of June 30, 2019, accumulated HIS assets constituted approximately seven months of projected benefit payments. The ability of the current statutory contribution rate to pay full HIS benefits is very sensitive to near-term demographic experience, particularly the volume and timing of retirements and the amount of payroll on which the statutory rate is charged.

The FRS's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. As of the most recent analysis of the long-term expected rate of return, presented to the FRS Board in October 2018, the target allocation and best estimates.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1 .00 percent higher or 1.00 percent lower than the current discount rate at June 30, 2019.

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
School's proportionate share of the			
FRS Net Pension Liability	1,464,980	847,462	33,187
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
HIS Net Pension Liability	468,860	410,722	362,299

Long-Term Expected Rate of Return – The long-term expected rate of return on Pension Plan investment was not based on historical returns, but instead on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation of the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.

Note 9 – Retirement Plans (continued)

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic (Geometric) Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.30%	3.30%	1.20%
Fixed income	18.0%	4.10%	4.10%	3.50%
Global equity	54.0%	8.00%	8.00%	16.50%
Real estate	11.0%	6.70%	6.10%	11.70%
Private equity	10.0%	11.20%	8.40%	25.80%
Strategic investments	6.0%	5.90%	5.70%	6.70%
Total	100.0%			
Assumed Inflation - Mean			2.60%	1.70%

Note 10 – Interfund Transfers

Interfund transfers in governmental funds as of June 30, 2020, consist of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
To fund lunch deficit	\$ (19,297)	\$ 19,297	\$ -	\$ -
Transfer interest expense from Debt Service Fund to General Fund	(77,748)	-	77,748	-
Total Transfers, net	\$ (97,045)	\$ 19,297	\$ 77,748	\$ -
Due to General Fund from Capital Projects Fund for capital outlay	\$ 5,892	\$ -	\$ -	\$ (5,892)
Due to General Fund from Special Revenue Fund for Title I	1,656	(1,656)	-	-
Total Due from/(Due to)	\$ 7,548	\$ (1,656)	\$ -	\$ (5,892)

REQUIRED SUPPLEMENTARY INFORMATION

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
(A charter school under The Charter Schools of Excellence, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2020

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 2,388,867	\$ 2,195,698	\$ 2,204,683
Charges for services	100,120	103,512	104,406
Other revenue	180,439	152,128	168,738
Total Revenues	<u>2,669,426</u>	<u>2,451,338</u>	<u>2,477,827</u>
EXPENDITURES			
Instruction	1,258,966	1,043,643	1,179,329
Student support services	15,250	14,521	13,150
Instructional staff training	5,000	2,500	1,871
Board	32,145	29,600	29,605
General administration	36,639	37,512	36,050
School administration	784,664	814,585	808,562
Fiscal services	66,235	67,400	67,041
Central services	138,450	116,700	115,013
Pupil transportation services	12,410	13,250	12,907
Operation of plant	388,052	260,424	234,442
Maintenance of plant	48,000	55,000	48,553
Community Services	116,853	121,905	114,683
Total Current Expenditures	<u>2,902,664</u>	<u>2,577,040</u>	<u>2,661,206</u>
Excess (Deficit) of Revenues Over Current Expenditures	<u>(233,238)</u>	<u>(125,702)</u>	<u>(183,379)</u>
Capital Outlay	<u>277,000</u>	<u>391,000</u>	<u>378,115</u>
Total Expenditures	<u>3,179,664</u>	<u>2,968,040</u>	<u>3,039,321</u>
Excess (Deficit) of Revenues Over Expenditures	(510,238)	(516,702)	(561,494)
Other financing sources (uses):			
Transfers in (out)	(21,835)	(27,375)	(97,045)
Long term debt advances	<u>-</u>	<u>80,200</u>	<u>80,186</u>
Net change in fund balance	(532,073)	(463,877)	(578,353)
Fund Balance at beginning of year	<u>640,194</u>	<u>640,194</u>	<u>640,194</u>
Fund Balance at end of year	<u>\$ 108,121</u>	<u>\$ 176,317</u>	<u>\$ 61,841</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
(A charter school under The Charter Schools of Excellence, Inc.)

Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Florida Retirement System
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013
School's proportion of the net pension liability (asset)	0.002460791%	0.001686331%	0.001468793%	0.001589406%	0.001496062%	0.000943401%	0.000863994%
School's proportionate share of the net pension liability (asset)	\$ 847,482	\$ 507,932	\$ 434,459	\$ 401,326	\$ 193,236	\$ 57,561	\$ 148,732
School's covered-employee payroll	\$ 1,516,641	\$ 950,124	\$ 831,724	\$ 807,699	\$ 693,646	\$ 474,930	\$ 393,278
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	55.88%	53.46%	52.24%	49.69%	27.86%	12.12%	37.82%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

* The amounts presented for each fiscal year were determined as of 6/30.

* Complete 10-year information to be presented in future years as it becomes available.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
(A charter school under The Charter Schools of Excellence, Inc.)

Required Supplementary Information
Schedule of the School's Contributions
Florida Retirement System
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 76,302	\$ 48,059	\$ 38,236	\$ 38,760	\$ 36,475	\$ 20,664	\$ 11,627
Contributions in relation to the contractually required contribution	<u>(76,302)</u>	<u>(48,059)</u>	<u>(38,236)</u>	<u>(38,760)</u>	<u>(36,475)</u>	<u>(20,664)</u>	<u>(11,627)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$1,516,641	\$950,124	\$831,724	\$807,699	\$693,646	\$474,930	\$393,278
Contributions as a percentage of covered-employee payroll	5.03%	5.06%	4.60%	4.80%	5.26%	4.35%	2.96%

* The amounts presented for each fiscal year were determined as of 6/30.

* Complete 10-year information to be presented in future years as it becomes available.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
(A charter school under The Charter Schools of Excellence, Inc.)

Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Health Insurance Subsidy Program
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013
School's proportion of the net pension liability (asset)	0.003670765%	0.002908991%	0.002609312%	0.002616358%	0.002286370%	0.001598480%	0.001353724%
School's proportionate share of the net pension liability (asset)	\$ 410,722	\$ 307,891	\$ 279,000	\$ 304,926	\$ 233,174	\$ 149,462	\$ 117,859
School's covered-employee payroll	\$ 1,516,641	\$ 950,124	\$ 831,724	\$ 807,699	\$ 693,646	\$ 474,930	\$ 393,278
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.08%	32.41%	33.54%	37.75%	33.62%	31.47%	29.97%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

* The amounts presented for each fiscal year were determined as of 6/30.

* Complete 10-year information to be presented in future years as it becomes available.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
(A charter school under The Charter Schools of Excellence, Inc.)

Required Supplementary Information
Schedule of the School's Contributions
Florida Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 20,383	\$ 15,776	\$ 13,809	\$ 13,411	\$ 8,740	\$ 5,476	\$ 4,434
Contributions in relation to the contractually required contribution	(20,383)	(15,776)	(13,809)	(13,411)	(8,740)	(5,476)	(4,434)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,516,641	\$ 950,124	\$ 831,724	\$ 807,699	\$ 693,646	\$ 474,930	\$ 393,278
Contributions as a percentage of covered-employee payroll	1.34%	1.66%	1.66%	1.66%	1.26%	1.15%	1.13%

Last 10 Fiscal Years*

* The amounts presented for each fiscal year were determined as of 6/30.

* Complete 10-year information to be presented in future years as it becomes available.



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*

Board of Directors of
The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
Fort Lauderdale, 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 (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 29, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free 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 financial statements. 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*.

We noted certain matters that were reported to management in a separate management letter pursuant to Chapter 10.850, Rules of the Auditor General dated September 29, 2020.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2020



MANAGEMENT LETTER

To the Board of Directors of
The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the financial statements of The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus, Fort Lauderdale, Florida, as of and for the year ended June 30, 2020 and have issued our report thereon dated September 29, 2020.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent 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*. Disclosures in those reports and schedules, which are dated September 29, 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.

Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of Education of the entity is The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus, 5271.

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Financial Condition and Management

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

Pursuant to Sections 10.854(1)(e)6.a and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus. It is management's responsibility to monitor The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus'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 recommendation to improve financial management. In connection with our audit, we had the following recommendations:

ML – 2020-01 INTERNAL ACCOUNT DEPOSITS

- Criteria: The School designed and implemented an internal control system to reduce the risk of misappropriation of assets and/or cash receipts by establishing a general policy regarding the collection of money as detailed in the School's Financial Policies and Procedures.
- Condition: We noted the following: various differences between recap sheet summaries and corresponding deposits and differences between receipts issued and the corresponding deposits resulting in unreconciled differences.
- Cause: The condition results from school personnel not consistently adhering to the policies and procedures regarding the collection of money as detailed in the handbook.
- Effect: Failure to perform the procedures mentioned above could result in misappropriation of cash receipts.
- Recom-
mendation: We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all deposits and cash receipts are properly counted, reviewed, and reconciled to the amount deposited in the bank account.
- Views of Responsible
officials: See attached management response.

ML – 2020-02 INTERNAL ACCOUNT DISBURSEMENTS

- Criteria:** The School designed and implemented an internal control system to reduce the risk of misappropriation of funds by establishing a general policy regarding the disbursement of money as detailed in the School’s Financial Policies and Procedures.
- Condition:** We noted the following: various disbursements without purchase orders, and disbursements with missing source documentation such as an invoice.
- Cause:** The condition results from school personnel not consistently adhering to the policies and procedures regarding the disbursement of money as detailed in the handbook.
- Effect:** Failure to perform the procedures mentioned above could result in misappropriation of cash.
- Recommendation:** We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all disbursement of funds are properly documented, approved, and authorized deposits and cash receipts are properly counted, reviewed, and authorized prior to checks or other method of payment are issued.
- Views of Responsible officials:** See attached management response.

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to report the results of our determination as to whether maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that 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 do not have any such recommendations.

Status of Prior Year Findings and Recommendations

ML – 2019-01 FINANCIAL REPORTING

Recom-
mendation: We recommend that the School improve their financial accounting process to ensure the fair presentation of reported and recorded financial information.

Status: The School has adopted Financial Policies and Procedures effective January 8, 2020. There were no material misstatements noted in the current year related to (1) cutoff and (2) recording of expenses. This finding has been corrected and recommendations implemented by the School in the current year.

ML – 2019-02 INTERNAL ACCOUNT DEPOSITS AND DISBURSEMENTS

Recom-
mendation: We recommend that the School review procedures and refine guidelines for recording of transaction maintained by the two different outside contractors so that all deposits and disbursements are properly recorded.

Status: The School has adopted Financial Policies and Procedures effective January 8, 2020. This finding has been corrected and recommendations implemented by the School in the current year.

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 Florida House of Representatives, the Florida Auditor General, School Board of Broward County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2020

CHARTER SCHOOLS OF EXCELLENCE- DAVIE

September 28th, 2020

HLB Gravier, LLP
396 Alhambra Circle, 9th Floor
Coral Gables, FL 33134

RE: MANAGEMENT'S RESPONSE TO AUDITOR'S RECOMMENDATION

The following is the response by the School's Administrator to your recommendations:

ML – 2020-01 INTERNAL ACCOUNT DEPOSITS

Recommendation

We recommend that the school adheres to its internal control policies and procedures relating to the internal account so that all deposits and cash receipts are properly counted, reviewed and reconciled to the amount deposited in the bank account.

Management Response

Management will adhere to the auditor's recommendation. Continuous oversight of deposits will be performed by the Principal, ensuring that all deposits and cash receipts are properly counted, reviewed and reconciled to the amount deposited in the appropriate bank account.

ML- 2020-02 INTERNAL ACCOUNT DISBURSEMENTS

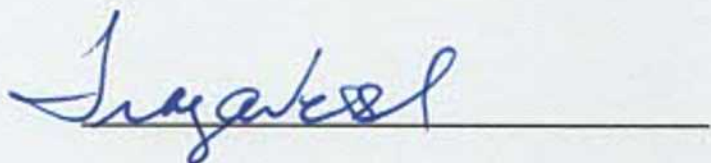
Recommendation

We recommend that the school adheres to its internal control policies and procedures relating to the internal account so that all disbursement of funds are properly documented, approved and authorized deposits and cash receipts are properly counted, reviewed and authorized prior to checks or other method of payment are issued.

Management Response

Management will adhere to the auditor's recommendation. Continuous oversight of disbursements will be performed by the Principal, ensuring that all disbursement of funds are properly documented, approved and authorized deposits and cash receipts are properly counted, reviewed and authorized prior to checks or other method of payment are issued.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tracy Nessel", is written over a solid black horizontal line.

Tracy Nessel
Superintendent, Charter Schools of Excellence