

SUMMIT ACADEMY CHARTER SCHOOL
CORAL SPRINGS, FLORIDA
(A CHARTER SCHOOL UNDER FLORIDA CHARTER
SCHOOL ORGANIZATION, INC. AND A COMPONENT
UNIT OF THE SCHOOL BOARD OF BROWARD,
FLORIDA)

BASIC FINANCIAL STATEMENTS, INDEPENDENT
AUDITOR'S REPORT AND SUPPLEMENTAL
INFORMATION

JUNE 30, 2020

SUMMIT ACADEMY CHARTER SCHOOL
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
JUNE 30, 2020

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SUMMIT ACADEMY CHARTER SCHOOL
(A Charter School under Florida Charter School Organization, Inc.)

11421 N.W. 56th Drive,
Coral Springs, FL 33076

2019-2020

BOARD OF DIRECTORS

Ms. Regla Alvarez
Mr. Gem Vasquez
Ms. Roxana Tomas Ledesma
Mr. Julio Gonzalez
Ms. Karen Tresca

SCHOOL ADMINISTRATION

Mr. Gustavo Prats, Principal
Ms. Jennifer Carreno, Operations Manager



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Summit Academy Charter School
Coral Springs, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Summit Academy Charter School (the "School"), a charter school under Summit Academy Charter School, Inc. and a component unit of the District School Board of Broward, Florida as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 budgetary comparison information on pages 23 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2020

Management’s Discussion and Analysis
Summit Academy Charter School
June 30, 2020

The corporate officers of Summit Academy Charter School (the “School”) have prepared this narrative overview and analysis of the School’s financial activities for the fiscal year ended June 30, 2020, the School’s first year of operations.

FINANCIAL HIGHLIGHTS

1. At year-end, the School had current assets of \$119,211.
2. At year-end, the School reported a net position deficit of \$525,502 and a total fund balance deficit of \$1,977.

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 and liabilities. The difference between the two 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 as soon as the underlying event resulting in the change 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.

Prior to the start of the School's fiscal year, the Board of the School adopts an annual budget for all of its governmental funds, if applicable. A budgetary comparison statement has been provided for the School's 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 - 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of the School's financial position. A summary of the School's net position as of June 30, 2020 follows:

Assets	<u>2020</u>
Cash and cash equivalents	\$ 79,629
Due from other agencies	39,582
Deposits receivable and other assets	37,500
Notes receivable from charter schools	-
Capital assets, net	<u>131,554</u>
Total Assets	<u>\$ 288,265</u>
 Liabilities and Net Position	
Accounts and wages payable and accrued liabilities	\$ 158,688
Notes payable	<u>655,079</u>
Total Liabilities	813,767
Net investment in capital assets	131,554
Unrestricted	<u>(657,056)</u>
Total Net Position	<u>\$ (525,502)</u>
Total Liabilities and Net Position	<u>\$ 288,265</u>

At June 30, 2020, the School's total assets were \$288,265 and total liabilities were \$813,767. At June 30, 2020, the School reported a total deficit in net position of \$525,502. This was the School's first year of operations

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

REVENUES	<u>2020</u>
Program Revenues	
Federal lunch program	\$ 25,883
Revenues from state sources	304,436
State capital outlay funding	-
Charges for services	34,699
General Revenues	
FEFP nonspecific revenue	1,288,254
Other local revenue	13
Total Revenues	<u>\$ 1,653,285</u>
EXPENSES	
Instruction	\$ 1,040,500
Food services	69,301
General administration	81,120
School administration	367,794
Central services	15,384
School Board	22,942
Operation of plant	329,423
Maintenance of plant	55,844
Transportation	49,157
Administrative technology services	20,537
Community services	3,419
Interest on long-term debt	24,973
Total Expenses	<u>\$ 2,163,077</u>
Change in Net Position	(509,792)
Net Position (Deficit) at Beginning of Year	<u>(15,710)</u>
Net Position (Deficit) at End of Year	<u><u>\$ (525,502)</u></u>

The School's total revenues for the year ended June 30, 2020 were \$1,653,285 while its total expenses were \$2,163,077 for a net decrease of \$509,792. This was the School's first year of operations. The School made significant investments in curriculum, instruction and school administration to ensure the success of its academic programs.

SCHOOL LOCATION

The School operates in the Coral Springs area located at 11421 NW 56th Drive, Coral Springs, FL 33076.

REQUESTS FOR INFORMATION

This financial report is intended to provide a general overview of the finances of the School. Requests for additional information may be addressed to Ms. Jennifer Carreno, Operations Manager, at 11421 NW 56th Drive, Coral Springs, FL 33076.

CAPITAL IMPROVEMENT REQUIREMENT

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, *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.

For the year ended June 30, 2020, the School's governmental funds reported a deficit in its net change in fund balance of \$189,954 and reported a combined fund balance deficit at year-end of \$1,977.

CAPITAL ASSETS

The School's investment in capital assets, as of June 30, 2020, amounts to \$131,554 (net of accumulated depreciation). This investment in capital assets includes improvements, furniture, fixtures and equipment.

LONG-TERM DEBT

In May 2019, the School entered into a loan agreement with Charter School Partners, LLC for \$250,000 to support the School's operations. In addition, in August 2019, the School entered into a loan agreement with American Charter Development, LLC for \$250,000 to serve as an advance on funds the School was awarded pursuant to the Public Charter School Grant Program. The School also received loan proceeds in May 2020 for \$212,818 pursuant to the Paycheck Protection Program. Balances on notes payable totaled \$655,079 at June 30, 2020.

GOVERNMENTAL FUND BUDGET ANALYSIS

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.

	All Governmental Funds		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local district	\$ 1,236,404	\$ 1,236,404	\$ 1,288,254
Federal passed through state	597,952	330,319	330,319
Local and other revenue	99,850	99,850	34,712
TOTAL REVENUES	\$ 1,934,206	\$ 1,666,573	\$ 1,653,285
EXPENDITURES			
Instruction	\$ 1,050,339	\$ 1,050,339	\$ 1,040,500
Instructional support services	67,942	67,942	65,183
Instructional and curriculum	5,000	5,000	17,500
Food services	81,993	81,993	69,301
General administration	80,313	80,313	81,120
School administration	399,406	399,406	332,347
Central services	240	240	15,384
School Board	10,000	10,000	22,942
Operation of plant	221,871	221,871	325,038
Maintenance of plant	38,000	38,000	55,844
Fiscal services	-	-	-
Transportation	45,000	45,000	49,157
Administrative technology services	-	-	20,537
Community services	-	-	3,419
Capital Outlay:			
Other capital outlay	-	-	171,386
Debt service	25,118	25,118	36,399
TOTAL EXPENDITURES	\$ 2,025,222	\$ 2,025,222	\$ 2,306,057
Net change in fund balance	(91,016)	(358,649)	(652,772)
OTHER FINANCING SOURCES			
Payments received on notes receivable	192,000	459,633	462,818
Net change in fund balance	<u>\$ 100,984</u>	<u>\$ 100,984</u>	<u>\$ (189,954)</u>

**SUMMIT ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2020**

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 79,629
Due from other agencies	39,582
TOTAL CURRENT ASSETS	<u>119,211</u>
CAPITAL ASSETS, NET	
Depreciable capital assets, net of accumulated depreciation	131,554
TOTAL CAPITAL ASSETS, NET	<u>131,554</u>
Deposits receivable and other assets	37,500
TOTAL ASSETS	<u><u>\$ 288,265</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 106,877
Accrued payroll and related expenses	51,811
Notes payable, current portion	338,095
TOTAL CURRENT LIABILITIES	<u>496,783</u>
Notes payable- long-term portion	316,984
TOTAL LIABILITIES	<u>813,767</u>
NET POSITION (DEFICIT)	
Invested in capital assets, net of related debt	131,554
Deficit in unrestricted	(657,056)
TOTAL NET POSITION (DEFICIT)	<u>(525,502)</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 288,265</u></u>

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

**SUMMIT ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions	Expenses	Program Revenues			Net (Expense) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 1,040,500	\$ -	149,871	\$ -	\$ (890,629)
Instructional and student support services	65,183	-	-	-	(65,183)
Instructional and curriculum development	17,500	-	-	-	(17,500)
Food services	69,301	-	25,883	-	(43,418)
General administration	81,120	-	-	-	(81,120)
School administration	367,794	-	154,565	-	(213,229)
Central services	15,384	-	-	-	(15,384)
School Board	22,942	-	-	-	(22,942)
Operation of plant	329,423	-	-	-	(329,423)
Maintenance of plant	55,844	-	-	-	(55,844)
Transportation	49,157	-	-	-	(49,157)
Administrative technology services	20,537	-	-	-	(20,537)
Community services	3,419	34,699	-	-	31,280
Interest and other fees on long-term debt	24,973	-	-	-	(24,973)
Total Governmental Activities	\$ 2,163,077	\$ 34,699	\$ 330,319	\$ -	\$ (1,798,059)
GENERAL REVENUES:					
					1,288,254
					13
					<u>1,288,267</u>
					(509,792)
					<u>(15,710)</u>
					<u>\$ (525,502)</u>

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

**SUMMIT ACADEMY CHARTER SCHOOL
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Governmental Fund
ASSETS	
Cash and cash equivalents	\$ 79,629
Due from other agencies	39,582
Deposits	37,500
TOTAL ASSETS	<u>\$ 156,711</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 106,877
Accrued payroll and related expenses	51,811
TOTAL LIABILITIES	<u>158,688</u>
FUND BALANCE (DEFICIT)	
Nonspendable	
Deposits	37,500
Deficit in unassigned	(39,477)
TOTAL FUND BALANCE (DEFICIT)	<u>(1,977)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 156,711</u>

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

**SUMMIT ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balance - Governmental Funds	\$ (1,977)
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	131,554
Long term liabilities are not due in the current period and accordingly, are not reported as fund liabilities.	(655,079)
	<hr/>
Total Net Position - Governmental Activities	<u><u>\$ (525,502)</u></u>

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

**SUMMIT ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
State passed through local school district	\$ 1,288,254	\$ -	\$ 1,288,254
Federal lunch program	-	25,883	25,883
Federal passed through state	-	304,436	304,436
Local and other revenue:			
Charges for services	34,699	-	34,699
Other	13	-	13
TOTAL REVENUES	\$ 1,322,966	\$ 330,319	\$ 1,653,285
EXPENDITURES			
Current:			
Instruction	\$ 890,629	\$ 149,871	\$ 1,040,500
Instructional support services	65,183	-	65,183
Instructional and curriculum	17,500	-	17,500
Food services	43,418	25,883	69,301
General administration	81,120	-	81,120
School administration	177,782	154,565	332,347
Central services	15,384	-	15,384
School Board	22,942	-	22,942
Operation of plant	325,038	-	325,038
Maintenance of plant	55,844	-	55,844
Transportation	49,157	-	49,157
Administrative technology services	20,537	-	20,537
Community services	3,419	-	3,419
Capital Outlay:			
Other capital outlay	171,386	-	171,386
Debt service:			
Principal retirement	11,426	-	11,426
Interest	23,330	-	23,330
Other	1,643	-	1,643
TOTAL EXPENDITURES	\$ 1,975,738	\$ 330,319	\$ 2,306,057
Deficiency of revenues over expenditures	(652,772)	-	(652,772)
OTHER FINANCING SOURCES			
Proceeds from debt	462,818	-	462,818
Total other financing sources	462,818	-	462,818
NET CHANGE IN FUND BALANCE	(189,954)	-	(189,954)
Fund balance at beginning of year	187,977	-	187,977
Fund balance (deficit) at end of year	<u>\$ (1,977)</u>	<u>\$ -</u>	<u>\$ (1,977)</u>

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

**SUMMIT ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2020**

Change in Fund Balance - Governmental Funds \$ (189,954)

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.

Capital outlays	171,386
Depreciation expense	(39,832)

Proceeds from issuance of long-term debt are reported as an other financing source in the governmental funds. However, in the statement of net position, the amount of funds borrowed is reported as an increase in notes payable. (462,818)

Repayment of long term liabilities are expenditures in the governmental funds, but the repayment reduces long term liabilities in the statement of net position. 11,426

Change in Net Position of Governmental Activities \$ (509,792)

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

**SUMMIT ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – ORGANIZATION AND OPERATIONS

Reporting Entity

Summit Academy Charter School (the “School”) is a charter school sponsored by the School Board of Broward County, Florida (the “District”) and is a component unit of the District. The School’s charter is held by Summit Academy Charter School, Inc., a not-for-profit corporation, organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33 Florida Statutes. The School is governed by a Board of Directors composed of five members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School’s charter agreement is for a term of five years beginning July 1, 2019 through June 30, 2024. The charter may be renewed as provided in Section 1002.33 or 1002.331, Florida Statutes, upon mutual consent between the School and the District and execution of a written renewal. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least ninety days prior to the charter's expiration. The School contract provides in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown.

These financial statements are for the year ended June 30, 2020, when approximately 175 students were enrolled in grades Kindergarten through 8th grade.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits per State and Local Governments and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes under standards set by the Governmental Accounting Standards Board (“GASB”).

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 for the School as a whole. Both statements report only governmental activities as the School does not engage in any business type activities. These statements 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 which report fees, (2) operating grants and contributions which finance annual operating activities, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

**SUMMIT ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds, namely, the general, special revenue, debt service, and capital project funds are reported as separate columns in the fund financial statements:

The School utilizes the following major governmental funds:

General Fund – is the School’s primary operating fund. The General Fund accounts for all financial resources not accounted for and reported in another fund.

Special Revenue Fund – used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service and capital projects.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 Guidelines*.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from non-exchange transactions are reported according to Governmental Accounting Standards Board (GASB) Codification Section 1600.111 and Section N50 “*Accounting and Financial Reporting for Non-Exchange Transactions*.” On the accrual basis, revenues from grants and donations are recognized 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 current liabilities. 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. 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.

Budgetary Basis of 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, purchased services, and capital outlay) within each activity (e.g. instructional, pupil personnel services and school administration). Any revisions to the annual budget are approved by the Board.

**SUMMIT ACADEMY CHARTER SCHOOL
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The School’s cash is considered to be cash on hand and demand deposits, with original maturities of three months or less.

Due from Other Agencies

Due from other agency consists of amounts due from other governmental units for revenues from federal, federal through state, state, or other sources. Amounts are considered fully reimbursable and no allowance has been recorded at June 30, 2020.

Capital Assets and Depreciation

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. The School capitalization levels are \$1,000 on tangible personal property. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the costs and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

	Esimated Useful Lives <u>(years)</u>
Improvements other than building	5
Furniture, fixtures, and equipment	3 - 5

Compensated Absences

The School grants a specific number of days for sick/personal leave. Full-time office and administrative employees are eligible for up to ten days of active work during the ten-month period (a “benefit year”). Teachers are eligible for up to ten days of active work during the benefit year. In the event that available time is not used by the end of the benefit year, employees may not “rollover” all unused days for use in future benefit years. There is an opportunity for teachers to “cash out” unused days; however, teachers may only cash out if they have not used their ten eligible days by the end of the benefit year.

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 days available to be used in future benefit 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.

**SUMMIT ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Fund Net Position

Government-wide fund net position are divided into three components:

- Net investment in capital assets – consists of the historical cost capital assets less accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets plus deferred outflows of resources less deferred inflows of resources. The net investment in capital assets for the year ending June 30, 2020, was \$131,554.
- Restricted net assets – consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments less related liabilities and deferred inflows of resources. There were no restricted net assets at June 30, 2020.
- Unrestricted – all other net position is reported in this category

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable – 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). At June 30, 2020, the School’s non-spendable fund balance was \$37,500.
- 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. At June 30, 2020, there is no restricted fund balance.
- 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. At June 30, 2020, there is no committed fund balance.
- Assigned – fund balance classification are intended to be used by the School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed. At June 30, 2020, there is no assigned fund balance.
- Unassigned – fund balance is the residual classification for the School’s general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

The School considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, or unassigned amounts are considered to have been spent when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The finance officer will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-city funds, city funds, and funds passed through the District. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The finance officer has the authority to deviate from this policy if it is in the best interest of the School.

**SUMMIT ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Sources

Revenues for operations will be received primarily from the District School Board of Broward County (the "School Board") 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 School Board. Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

The School may also receive federal grant awards and State financial assistance for the enhancement of various educational programs. Federal awards and State financial assistance are generally received based on an application submitted to and approved by various granting agencies. For federal awards and state financial assistance 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. This activity is recorded in the Special Revenue Fund and Capital Outlay Fund. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Income Taxes

Summit Academy Charter School, Inc. qualifies as a tax exempt organization under the 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. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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

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 3 - CASH DEPOSITS

It is the School's policy to maintain its cash and cash equivalents in one financial institution. Deposits at FDIC-insured financial institutions are insured up to \$250,000 per depositor, per financial institution. As of June 30, 2020, the School's bank balances totaled \$114,100 and did not exceed the FDIC limit.

**SUMMIT ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 is as follows:

	Balance 7/1/2019	Additions	Disposals	Balance 6/30/2020
Capital Assets				
Improvements other than building	\$ -	\$ 24,400	\$ -	\$ 24,400
Furniture, fixtures, and equipment	-	146,986	-	146,986
Total Capital Assets	<u>-</u>	<u>171,386</u>	<u>-</u>	<u>171,386</u>
Less Accumulated Depreciation				
Improvements other than building	\$ -	\$ (4,385)	\$ -	\$ (4,385)
Furniture, fixtures, and equipment	-	(35,447)	-	(35,447)
Total Accumulated Depreciation	<u>\$ -</u>	<u>\$ (39,832)</u>	<u>\$ -</u>	<u>\$ (39,832)</u>
Capital Assets, net	<u>\$ -</u>	<u>\$ 131,554</u>	<u>\$ -</u>	<u>\$ 131,554</u>

For the year ended June 30, 2020, depreciation expense totaled \$39,832, of which \$4,385 was allocated to operation of plant and \$35,447 was allocated to school administration in the statement of activities.

NOTE 5 – LONG-TERM LIABILITIES

In May 2019, the School entered into a loan agreement with Charter School Partners, LLC (“CSP”) for \$250,000 to support the School’s operations. CSP is owned by a member of the School’s administration. See Note 7. The note bears no interest and is payable in 36 equal monthly payments, beginning October 1, 2019. The balance of the loan was \$192,261 at June 30, 2020.

On August 8, 2019, the School entered into a loan agreement with American Charter Development, LLC (“ACD”) for \$250,000 to serve as an advance on funds the School was awarded pursuant to the Public Charter School Grant Program. The note calls monthly interest only payments of \$2,500 through the maturity date, at which time the total principal sum of \$250,000, together with any accrued but unpaid interest shall be due and payable. The maturity date will be the earlier of (a) March 1, 2021 or (b) the date in which the School receives reimbursement of their Public Charter School Grant Program award. At June 30, 2020, the balance of the loan totaled \$250,000.

In May 2020, the School received loan proceeds from a financial institution in the amount of \$212,818 under the Paycheck Protection Program (“PPP”). The loan matures in May 2022 and bears interest at 1% per annum. The loan and accrued interest are forgivable in whole or in part if used for qualifying purposes, such as payroll, rent and utilities. Under the terms of the loan agreement, payments on the loan are deferred for the first 6 months. The PPP Flexibility Act, passed in June 2020, may further extend the deferral of payments for unforgiven amounts based on the timing of the forgiveness application. The loan is payable in equal monthly payments of principal and interest, to be fully amortized over the remaining term of the note following the deferment period. As of the date of these financial statements, the School has not applied for forgiveness. The School has reflected the loan proceeds of \$212,818 as a long-term liability in the accompanying financial statements as of June 30, 2020.

**SUMMIT ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 5 – LONG-TERM LIABILITIES (Continued)

The following schedule provides a summary of changes in long-term liabilities for the year ended June 30, 2020:

	Balance 7/1/2019	Borrowings	Repayments	Balance at 6/30/2020
Note payable - CSP	\$ 203,687	\$ -	\$ (11,426)	\$ 192,261
Note payable - ACD	-	250,000	-	250,000
Note payable - PPP	-	212,818	-	212,818
Total notes payable	<u>\$ 203,687</u>	<u>\$ 462,818</u>	<u>\$ (11,426)</u>	<u>\$ 655,079</u>

Future payments to be received are as follows:

<u>Fiscal Year Ending June 30,</u>	
2021	\$ 338,095
2022	296,151
2023	<u>20,833</u>
	<u>\$ 655,079</u>

NOTE 6 – PROFESSIONAL SERVICES CONTRACT

The School entered into an agreement with Building Hope Services to provide accounting and finance services to the School. The contract, renewable annually, calls for an annual fee of \$100 per student based on enrollment at the beginning of the school year, payable in monthly installments. For the year ended June 30, 2020, the School incurred fees related to this agreement totaling \$17,683. At June 30, 2020 the School owed \$16,150 to Building Hope Services which is included in accounts payable and accrued liabilities.

NOTE 7 - RELATED PARTY TRANSACTIONS

In May 2019, the School entered into a loan agreement with Charter School Partners, LLC, which is owned by the School’s principal. See Note 5.

NOTE 8 – COMMITMENTS

The School entered into an agreement to lease facilities from F.P Dino, Inc. for an initial term of 3 years, commencing on July 1, 2019, with a right to extend the lease after the initial term for an additional 2 years (“option term”). During the initial term, the School shall pay an annual rent of \$1,000 per student. Rent payments for 4 months of the year ended June 30, 2020 were waived per the agreement. During the option term, the School shall pay an annual rent of \$1,100 per student in the first year and \$1,200 per student in the second year. The agreement includes a minimum student enrollment each year and in no event shall the School pay less annual rent than the amount calculated based on the minimum student enrollment. The School has the option to purchase the leased facilities at any point prior to the termination of the initial term or the option term. The purchase price will be \$8,000,000 as of July 1, 2019 and will increase by 3% each year thereafter. The purchase price will decrease by the amount of rent paid by the School in excess of the minimum student enrollment per the agreement. For the year ended June 30, 2020, the School recorded rent expense of \$126,224.

**SUMMIT ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 – COMMITMENTS (Continued)

Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	
2021	\$ 350,000
2022	450,000
2023	605,000
2024	<u>720,000</u>
Total	<u>\$ 2,125,000</u>

NOTE 9 – GRANTS

In the normal course of operations, the School receives grant funds from various federal, state and local agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not reflected in these financial statements.

NOTE 10 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in the past. In addition, there were no reductions in insurance coverage from those in the prior year. The School does not sponsor a public entity risk pool and has had no settlements that have exceeded their insurance coverage.

NOTE 11 – OTHER MATTERS

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the School, its performance, and its financial results.

REQUIRED SUPPLEMENTAL INFORMATION

**SUMMIT ACADEMY CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local school district	\$ 1,236,404	\$ 1,236,404	\$ 1,288,254
Local and other revenue	99,850	99,850	34,712
TOTAL REVENUES	\$ 1,336,254	\$ 1,336,254	\$ 1,322,966
EXPENDITURES			
Instruction	\$ 750,339	\$ 900,468	\$ 890,629
Instructional support services	67,942	67,942	65,183
Instructional and curriculum	5,000	5,000	17,500
Food services	34,041	56,110	43,418
General administration	80,313	80,313	81,120
School administration	149,406	244,841	177,782
Central services	240	240	15,384
School Board	10,000	10,000	22,942
Operation of plant	221,871	221,871	325,038
Maintenance of plant	38,000	38,000	55,844
Fiscal services	-	-	-
Transportation	45,000	45,000	49,157
Administrative technology services	-	-	20,537
Community services	-	-	3,419
Capital Outlay:			
Other capital outlay	-	-	171,386
Debt service	25,118	25,118	36,399
TOTAL EXPENDITURES	\$ 1,427,270	\$ 1,694,903	\$ 1,975,738
Change in fund balance before other financing sources	(91,016)	(358,649)	(652,772)
OTHER FINANCING SOURCES			
Payments received on notes receivable	192,000	459,633	462,818
Net change in fund balance	\$ 100,984	\$ 100,984	\$ (189,954)

See accompanying note to the required supplemental information.

**SUMMIT ACADEMY CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Special Revenue Fund		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Federal passed through state	\$ 597,952	\$ 330,319	\$ 330,319
TOTAL REVENUES	<u>\$ 597,952</u>	<u>\$ 330,319</u>	<u>\$ 330,319</u>
EXPENDITURES			
Instruction	300,000	149,871	149,871
Food services	47,952	25,883	25,883
School administration	250,000	154,565	154,565
TOTAL EXPENDITURES	<u>\$ 597,952</u>	<u>\$ 330,319</u>	<u>\$ 330,319</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to the required supplemental information.

**SUMMIT ACADEMY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2020, has been prepared according to Board procedures. During the fiscal year, expenditures were controlled at the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general and special revenue funds for which a legally adopted budget exists.

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



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
Summit Academy Charter School
Coral Springs, 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 Summit Academy Charter School (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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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

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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

Board of Directors of
Summit Academy Charter School
Coral Springs, Florida

Report on the Financial Statements

We have audited the financial statements of Summit Academy Charter School (the “School”), a non-major component unit of the District School Board of Broward County, Florida, as of and for the fiscal 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; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which is dated September 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. There is no preceding annual report as the year ended June 30, 2020 is the School’s first year of operations.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Summit Academy Charter School and #364281.

Financial Condition and Management

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

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The financial condition assessment procedures applied in connection with our audit, has lead us to believe that the School's overall financial condition as of June 30, 2020 is not deteriorating.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have the following recommendations:

2020-1 : Total fund balance deficit and Deficit in net position

Observation

Pursuant to Sections 218.39(5), Florida Statutes, the auditor must notify each member of the governing body for which a fund balance deficit in total or for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit, as reported on the fund financial statements of entities required to report under governmental financial reporting standards or on the basic financial statements of entities required to report under not-for-profit financial reporting standards, for which sufficient resources of the local governmental entity, charter school, charter technical career center, or district school board, as reported on the fund financial statements, are not available to cover the deficit.

Condition

The School has a total fund balance deficit of \$1,977 and a deficit in total net position of \$525,502 at June 30, 2020.

Cause

The 2019-2020 school year was the School's first year of operations. The School's expenditures exceeded its revenues during the year due to a lower enrollment than projected and due to start-up expenses in their first year in the first year of operations.

Effect

The School has a total fund balance deficit of \$1,977 and a deficit in total net position of \$525,502 at June 30, 2020.

Recommendation

The School needs to continue to properly budget its expected expenditures and revenues for the following school year so that it can continue to improve its financial position and increase enrollment for the 2020-2021 school year.

Management response

The 2019-2020 school year was the School’s first year of operations. Typically, schools incur many start-up expenses during their first year that maximize their return throughout several years. Management notes that the total fund balance deficit is only \$1,977 and the School is expected to recover from this deficit based on the School’s initial budget for the 2020-2021 school year. The School’s enrollment for the 2020-2021 school year more than doubled and is currently at approximately 460 students, which should allow the School to improve and recover from its operating deficit.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and the School Board of Broward County, Florida, 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