

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT
HOLLYWOOD MIDDLE, INC.**

HOLLYWOOD, FLORIDA
(A CHARTER SCHOOL AND A COMPONENT UNIT
OF THE SCHOOL BOARD OF BROWARD, FLORIDA)

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

JUNE 30, 2021

CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
JUNE 30, 2021

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CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
(A Charter School and component unit of the School Board of Broward County)

1100 Hillcrest Drive,
Hollywood, FL 33021

2020-2021

BOARD OF DIRECTORS

Ms. Antonia Magloire –President
Ms. Keri Diaz – Vice President
Mr. Daniel Winsor – Treasurer
Mr. Regina Replinger – Secretary

SCHOOL ADMINISTRATION

Dr. Frank Gaines, Principal
Mr. Ervin Joseph, Vice Principal



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Championship Academy of Distinction at Hollywood Middle, Inc.
Hollywood, 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 Championship Academy of Distinction at Hollywood Middle, Inc. (the "School"), a component unit of the District School Board of Broward, Florida as of and for the year ended June 30, 2021, 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, 2021, 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 October 6, 2021, 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
October 6, 2021

Management’s Discussion and Analysis
Championship Academy of Distinction at Hollywood Middle, Inc.
June 30, 2021

The corporate officers of Championship Academy of Distinction at Hollywood Middle, Inc. (the “School”) have prepared this narrative overview and analysis of the School’s financial activities for the fiscal year ended June 30, 2021, the School’s first year of operations.

FINANCIAL HIGHLIGHTS

1. At year-end, the School had current assets of \$244,780.
2. At year-end, the School reported a deficit in net position and a total fund balance deficit of \$156,291

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, 2021 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, 2021 and 2020 follows:

Assets	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 147,680	\$ 239,461
Due from other agencies	-	26,329
Due from related parties	45,713	5,760
Prepaid expenses	51,387	59,764
Total Assets	<u>\$ 244,780</u>	<u>\$ 331,314</u>
Liabilities and Net Position		
Accounts and wages payable and accrued liabilities	\$ 127,056	\$ 237,594
Settlement payable	83,333	-
Notes payable	190,682	190,682
Total Liabilities	<u>401,071</u>	<u>428,276</u>
Deficit in Unrestricted	<u>(156,291)</u>	<u>(96,962)</u>
Total Net Position (Deficit)	<u>\$ (156,291)</u>	<u>\$ (96,962)</u>
Total Liabilities and Net Position	<u>\$ 244,780</u>	<u>\$ 331,314</u>

At June 30, 2021, the School's total assets were \$244,780 and total liabilities were \$401,071. At June 30, 2021, the School reported a total deficit in net position of \$156,291.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2021 and 2020 follows:

REVENUES	<u>2021</u>	<u>2020</u>
Program Revenues		
Federal lunch program	\$ 24,137	\$ 39,117
Revenues from state sources	98,636	26,539.00
State capital outlay funding	93,022	110,516
Charges for services	-	-
General Revenues		
FEFP nonspecific revenue	1,401,492	1,394,622
Other local revenue	5,316	16,874
Total Revenues	<u>\$ 1,622,603</u>	<u>\$ 1,587,668</u>
 EXPENSES		
Instruction	\$ 1,014,694	\$ 914,449
Instructional support services	-	9,863
Instructional related technology	24,388	-
Food services	10,004	35,161
General administration	67,482	-
School administration	139,991	427,447
School Board	84,693	-
Operation of plant	295,676	274,208
Fiscal services	33,589	10,490
Transportation	11,415	33,642
Total Expenses	<u>\$ 1,681,932</u>	<u>\$ 1,705,260</u>
Change in Net Position	(59,329)	(117,592)
 Net Position (Deficit) at Beginning of Year	<u>(96,962)</u>	<u>20,630</u>
Net Position (Deficit) at End of Year	<u>\$ (156,291)</u>	<u>\$ (96,962)</u>

The School's total revenues for the year ended June 30, 2021 were \$1,622,603 while its total expenses were \$1,681,932 for a net decrease of \$59,329. The total decrease in expenses compared to prior year are mainly due to a reduction in management fees of approximately \$162,000 as a result of the termination of the School's contract with the prior management company, effective September 19, 2020. A new management consulting company was hired in March 2021.

SCHOOL LOCATION

The School operates in the Hollywood area located at 1100 Hillcrest Drive, Hollywood, FL 33021.

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 1100 Hillcrest Drive, Hollywood, FL 33021.

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, 2021, the School's governmental funds reported a net change in fund balance of \$131,353 and reported a combined fund balance at year-end of \$34,391.

CAPITAL ASSETS

The School did not have investments in capital assets as of June 30, 2021.

LONG-TERM DEBT

The School received loan proceeds in April 2020 for \$190,682 pursuant to the Paycheck Protection Program. Balances on notes payable totaled \$190,682 at June 30, 2021. The School is in the process of applying for forgiveness.

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	\$ 1,378,193	\$ 1,306,770	\$ 1,401,492
State capital outlay funding	104,025	103,500	93,022
Federal passed through state	122,965	128,693	122,773
Local and other revenue	25,000	-	195,998
TOTAL REVENUES	\$ 1,630,183	\$ 1,538,963	\$ 1,813,285
EXPENDITURES			
Instruction	\$ 885,303	\$ 927,326	\$ 1,014,694
Instructional support services	-	20,895	-
Instructional and curriculum	-	9,420	-
Instructional related technology	-	-	24,388
Food services	58,818	30,775	10,004
General administration	-	78,911	67,482
School administration	161,383	206,761	139,991
School Board	35,100	48,000	84,693
Operation of plant	359,631	299,407	295,676
Maintenance of plant	11,100	23,476	-
Fiscal services	-	-	33,589
Transportation	50,000	15,194	11,415
TOTAL EXPENDITURES	\$ 1,561,335	\$ 1,660,165	\$ 1,681,932
Net change in fund balance	\$ 68,848	\$ (121,202)	\$ 131,353

CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 147,680
Due from related parties	45,713
Prepaid expenses	51,387
TOTAL CURRENT ASSETS	<u>244,780</u>
TOTAL ASSETS	<u><u>\$ 244,780</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 17,765
Accrued payroll and related expenses	109,291
Settlement payable	83,333
Notes payable	190,682
TOTAL CURRENT LIABILITIES	<u>401,071</u>
TOTAL LIABILITIES	<u>401,071</u>
NET POSITION (DEFICIT)	
Deficit in unrestricted	<u>(156,291)</u>
TOTAL NET POSITION (DEFICIT)	<u>(156,291)</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 244,780</u></u>

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

CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 1,014,694	\$ -	\$ 98,636	\$ -	\$ (916,058)
Instructional related technology	24,388	-	-	-	(24,388)
School Board	84,693	-	-	-	(84,693)
General administration	67,482	-	-	-	(67,482)
School administration	139,991	-	-	-	(139,991)
Fiscal services	33,589	-	-	-	(33,589)
Food services	10,004	-	24,137	-	14,133
Transportation	11,415	-	-	-	(11,415)
Operation of plant	295,676	-	-	93,022	(202,654)
Total Governmental Activities	\$ 1,681,932	\$ -	\$ 122,773	\$ 93,022	\$ (1,466,137)
GENERAL REVENUES:					
					1,401,492
					5,316
					<u>1,406,808</u>
					Change in Net Position (59,329)
					NET POSITION (DEFICIT) - BEGINNING <u>(96,962)</u>
					NET POSITION (DEFICIT) - ENDING <u>\$ (156,291)</u>

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

CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	Governmental Fund
ASSETS	
Cash and cash equivalents	\$ 147,680
Due from related parties	45,713
Prepaid expenses	51,387
TOTAL ASSETS	<u>\$ 244,780</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 17,765
Accrued payroll and related expenses	109,291
Due to related party	83,333
TOTAL CURRENT LIABILITIES	<u>210,389</u>
TOTAL LIABILITIES	
FUND BALANCE (DEFICIT)	
Nonspendable	51,387
Deficit in unassigned	(16,996)
TOTAL FUND BALANCE	<u>34,391</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 244,780</u>

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

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balance - Governmental Funds	\$	34,391
Amounts reported for governmental activities in the statement of net assets are different because:		
Long term liabilities are not due in the current period and accordingly, are not reported as fund liabilities.		(190,682)
Total Net Position - Governmental Activities	\$	<u>(156,291)</u>

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

CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund	Capital Outlay Fund	Total Governmental Funds
REVENUES				
State passed through local school district	\$ 1,401,492	\$ -	\$ -	\$ 1,401,492
Federal lunch program	-	24,137	-	24,137
Federal passed through state	-	98,636	-	98,636
State capital outlay funding	-	-	93,022	93,022
Charges for services	-	-	-	-
Other	5,316	190,682	-	195,998
TOTAL REVENUES	\$ 1,406,808	\$ 313,455	\$ 93,022	\$ 1,813,285
EXPENDITURES				
Current:				
Instruction	\$ 725,376	\$ 289,318	\$ -	\$ 1,014,694
Instructional related technology	24,388	-	-	24,388
Food services	-	10,004	-	10,004
General administration	67,482	-	-	67,482
School administration	139,991	-	-	139,991
School Board	84,693	-	-	84,693
Operation of plant	202,654	-	93,022	295,676
Fiscal services	33,589	-	-	33,589
Transportation	11,415	-	-	11,415
TOTAL EXPENDITURES	\$ 1,289,588	\$ 299,322	\$ 93,022	\$ 1,681,932
Deficiency of revenues over expenditures	117,220	14,133	-	131,353
OTHER FINANCING SOURCES				
Transfers (out) in	14,133	(14,133)	-	-
Total other financing sources	14,133	(14,133)	-	-
NET CHANGE IN FUND BALANCE	131,353	-	-	131,353
Fund balance (deficit) at beginning of year	(96,962)	-	-	(96,962)
Fund balance at end of year	\$ 34,391	\$ -	\$ -	\$ 34,391

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

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2021**

Change in Fund Balance - Governmental Funds \$ 131,353

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

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. (190,682)

Change in Net Position of Governmental Activities \$ (59,329)

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

CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – ORGANIZATION AND OPERATIONS

Reporting Entity

Championship Academy of Distinction at Hollywood Middle, Inc. (the “School”), 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, is a charter school and is a component unit of the District Board of Broward County, Florida (the “District”). The School is governed by a Board of Directors composed of six members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter agreement with the District, effective until June 30, 2022. 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, 2021, when approximately 208 students were enrolled in 6th through 8th grades.

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.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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.

Capital Projects Fund – in accordance with guidelines established by the School Board of Broward County, Florida, this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

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.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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. There were no amounts due from other agencies as of June 30, 2021.

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.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, was \$0.
- 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, 2021.
- 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, 2021, the School’s non-spendable fund balance was \$51,387.
- 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, 2021, 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, 2021, 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, 2021, 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.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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

Championship Academy of Distinction at Hollywood Middle, 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 October 6, 2021, 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, 2021, the School's bank balances did not exceed the FDIC limit.

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 – NOTE PAYABLE

On April 20, 2020, the School received loan proceeds in the amount of approximately \$190,682 from a financial institution under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for the amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are guaranteed forgivable by the Small Business Administration (SBA) after eight or twenty-four weeks (the “covered period”) of utilization as long as the School uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the chosen utilization period.

Any unforgiven portion of the PPP loan is payable monthly over two years at an interest rate of 1%, with a deferral of payments for the first 10 months following the covered period. At this time, the School is in the process of applying for forgiveness with the financial institution. As a result the loan is reflected as a liability on the accompanying financial statements.

NOTE 5 – TRANSACTIONS WITH FORMER MANAGEMENT COMPANY

In July 2016, the School entered into a contract with Championship Academy of Distinction, LLC (“CAD”) for the general management of the day-to-day educational and operational aspects of the School through the contract term, ending June 30, 2026. Under the terms of the agreement, the School paid fourteen and a half percent (14.5%) of FEFP revenues, less the District’s administrative fee, in monthly installments. In addition, in prior years, CAD also made advances to the School for cash flow needs in relation to grant purchases.

On September 19, 2020, the School terminated the agreement with CAP due to breach of contract, at which time, the School’s Board of Directors assumed the management of the day-to-day educational and operational aspects of the School.

During the year ended June 30, 2021, the School paid management fees to CAD of \$140,873. In addition, during the year ended June 30, 2021, management fees payable in prior years of \$107,518 were written off and recorded as a reduction to the expenses. The amount reflected as management fee expense in the accompanying financial statements, net of the reduction, is \$33,355 and is included in school administration expenditures.

NOTE 6 – RELATED PARTY TRANSACTIONS

The School transacts with other charter schools, Championship Academy of Distinction of Hollywood, Inc. (“CADH”) and Championship Academy of Distinction at Davie, Inc. (“CADD”), which are related through common control by the School’s management and Board of Directors. At times, the related charter schools may pay expenses on behalf of the School and vice versa, which are recorded as amounts due to or from related parties. Activities between the related entities are related to lease obligations, management fees, payroll and employee benefits, National School Lunch Program reimbursement, and student transportation services. The School expects to receive full payment within one year from the financial statement date and no allowance for bad debt has been established.

Amounts due from related parties as of June 30, 2021 are as follows:

Due from CADH	\$ 37,868
Due from CADD	7,845
Due from related parties	<u>\$ 45,713</u>

CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 – RELATED PARTY TRANSACTIONS (Continued)

The School shares its facility with CADH and entered into a lease agreement for their portion of rent payable to CADH. See Note 10.

In September 2020, the School terminated its agreement with the former management company. Refer to Note 5 for transactions with former management during the year ended June 30, 2021.

In April 2021, the School entered into a management consulting agreement with a company that is owned by the former President of the School's Board of Directors. See Note 8.

The School has a settlement payable to Championship Academy of Distinction K-8, Inc., a charter school that is managed by the School's former management company. See Notes 5 and 7.

NOTE 7 – SETTLEMENT PAYABLE

In July 2021, the School, along with the related entities CADH and CADD, entered into a settlement agreement with Championship Academy of Distinction K-8, Inc. ("K-8") for amounts owed totaling \$250,000. The total settlement payable of \$250,000 was allocated equally among each school. The amounts owed are related to transactions that occurred between K-8 and the School in prior years while they were under common management. The School terminated its agreement with said management on September 19, 2020 as described in Note 6. Under the terms of the agreement, a payment of \$40,000 is due in July 2021, followed by monthly payments of \$10,000 through May 2023. Each school will pay an equal portion of amounts owed. The portion of the total settlement that is owed by the School at June 30, 2021 was \$83,333.

NOTE 8 – CONSULTING AGREEMENT

In April 2021, the School entered into a consulting agreement with Solutions Academy, LLC for the period commencing April 5, 2021 through June 30, 2027 to assist in the management of the School's operations, marketing, educational programs and facility improvement plans. The former President of the School's Board of Directors is the owner of Solutions Academy, LLC. Under the terms of the agreement, the School pays ten percent (10%) of FEFP revenues in monthly installments. During the year ended June 30, 2021, the School incurred and paid fees of \$32,188 related to the agreement.

NOTE 9 – PROFESSIONAL SERVICES CONTRACT

In March 2021, the School entered into an agreement with Building Hope Services to provide accounting, financial reporting, human resources and payroll 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, 2021, the School incurred fees related to this agreement totaling \$6,965. At June 30, 2021 the School owed \$5,223 to Building Hope Services which is included in accounts payable and accrued liabilities.

NOTE 10 – FACILITY LEASE

The School entered into a sublease agreement with CADH, for its educational facility through June 30, 2023. The lease calls for annual base rent to be \$183,700, payable monthly, and for additional rent as the School assists with the payments of insurance, maintenance, and utility costs. Rent expense charged to operations for the year ended June 31, 2021 totaled \$183,700. In addition, the School has made advance payments of rent totaling \$51,387, which are included as prepaid expenses.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 – FACILITY LEASE (Continued)

The following is an estimated schedule of future minimum rental payments:

<u>Year Ended June 30</u>	
2022	\$ 183,700
2023	<u>183,700</u>
Total	<u>\$ 367,400</u>

NOTE 11 – 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. Therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the School, there are no significant liabilities relating to grant compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 12 – 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 13– LEGAL MATTERS

In the course of conducting its operations, the School may become 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 14 – COVID-19 PANDEMIC

The World Health Organization (“WHO”) declared the coronavirus (COVID-19), a global pandemic and public health emergency. At this point, the School cannot reasonably estimate the extent to which this disruption may continue to impact the School’s financial statements and future results of operations.

NOTE 15 – SUBSEQUENT EVENTS

The School has evaluated subsequent events through October 6, 2021, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require adjustment of additional disclosure in the financial statements, other than the matter described below.

In July 2021, the School entered into a settlement agreement with Championship Academy of Distinction K-8, Inc. The School has recorded a settlement payable in connection with the agreement. See Note 7.

REQUIRED SUPPLEMENTAL INFORMATION

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local school district	\$ 1,378,193	\$ 1,306,770	\$ 1,401,492
Local and other revenue	-	-	5,316
TOTAL REVENUES	\$ 1,378,193	\$ 1,306,770	\$ 1,406,808
EXPENDITURES			
Instruction	\$ 807,338	\$ 802,283	\$ 725,376
Instructional support services	-	20,895	-
Instructional and curriculum	-	9,420	-
Instructional related technology	-	-	24,388
Food services	-	27,125	-
General administration	-	78,911	67,482
School administration	161,383	206,761	139,991
School Board	35,100	48,000	84,693
Operation of plant	255,606	195,907	202,654
Maintenance of plant	11,100	23,476	-
Fiscal services	-	-	33,589
Transportation	50,000	15,194	11,415
TOTAL EXPENDITURES	\$ 1,320,527	\$ 1,427,972	\$ 1,289,588
Change in fund balance before other financing sources	57,666	(121,202)	117,220
OTHER FINANCING SOURCES			
Transfers out	-	-	14,133
Net change in fund balance	\$ 57,666	\$ (121,202)	\$ 131,353

See accompanying note to the required supplemental information.

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal passed through state	\$ 122,965	\$ 128,693	\$ 122,773
Charges for other services	25,000	-	190,682
TOTAL REVENUES	<u>\$ 147,965</u>	<u>\$ 128,693</u>	<u>\$ 313,455</u>
EXPENDITURES			
Instruction	77,965	125,043	289,318
Food services	58,818	3,650	10,004
TOTAL EXPENDITURES	<u>\$ 136,783</u>	<u>\$ 128,693</u>	<u>\$ 299,322</u>
Transfers out			<u>(14,133)</u>
Net change in fund balance	<u>\$ 11,182</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to the required supplemental information.

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT HOLLYWOOD MIDDLE, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021, 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
Championship Academy of Distinction at Hollywood Middle, Inc.
Hollywood, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Championship Academy of Distinction at Hollywood Middle, Inc. (the "School") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 6, 2021.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying management letter as items 2021-003 and 2021-006.

School's Response to Findings

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

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 6, 2021



MANAGEMENT LETTER

Board of Directors of
 Championship Academy of Distinction at Hollywood Middle, Inc.
 Hollywood, Florida

Report on the Financial Statements

We have audited the financial statements of Championship Academy of Distinction at Hollywood Middle, Inc. (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, 2021, and have issued our report thereon dated October 6, 2021.

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 October 6, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrections have been made in the preceding financial report, except as noted in the tabulation below.

Tabulation of uncorrected Audit Findings		
Current Year	2019-2020 FY	2018-2019 FY
2021-001		
2021-002	2019-001	2019-001
2021-003	2020-003	
2021-004		
2021-005	2019-003	2019-003
2021-006	2020-002	

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 Championship Academy of Distinction at Hollywood Middle, Inc. and #365215.

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 financials 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, 2021 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:

2021-001 : 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 deficit in total net position of \$156,291 at June 30, 2021.

Cause

The School's former management company prepared and provided the School's budget to the governing board and the school district in the prior year. The School was unable to amend the prior year budget to account for the sizeable management fees that were ultimately charged by former management, resulting in a deficit in the prior year. While the deficit was reduced during the year ending June 30, 2021, the School's overall deficit in net position and fund balance remained at June 30, 2021. In addition, the School has not completed the forgiveness application for the Paycheck Protection Plan loan, which would alleviate the deficit.

Effect

The School has a total deficit in total net position of \$156,291 at June 30, 2021.

Recommendation

The School should complete the process of applying for forgiveness of the Paycheck Protection Program loan, as this will put the School in a positive position. The School's governing board should approve the adopted annual budget by July 1st of each year and review the budget on a monthly basis compared to actual revenues and expenses. As needed and appropriate, the budget should be amended and approved by the governing board following the October and February FTE periods and should account for significant unanticipated revenues and expenditures.

Management response

The School is in process of applying for forgiveness of the Paycheck Protection Program loan. This will move us into a positive net position. The governing Board will approve the adopted annual budget by July 1st of each year and review the budget on a monthly basis compare to its actual revenues and expenses. As needed and appropriate, the budget will be amended and approved by the governing Board following the October and February FTE periods and should account for significant unanticipated revenues and expenditures.

2021-002 – Disbursements

Condition and Criteria:

The School should properly document all expenditures and disbursements with proper documentation support.

Cause:

In our testing of disbursements we noted several disbursements that were not properly supported with the original invoice or other support.

Effect:

Payments to vendors can be made for unauthorized goods or services or payments can be made for an amount not equal to the invoiced amount.

Recommendation:

The School should properly provide support for all expenditures and verify that the payment amount equals to the invoice and that the invoice has been properly recorded.

Management Response:

The School has adopted accounting practices that will provide support for all expenditures and verify that the payment amounts equals to the invoice and that the invoice has been properly recorded.

2021-003 – Budget

Condition and Criteria:

Per Florida Statute 1002.33(9)(h), the governing board of the charter school must annually adopt and maintain an operating budget for the charter school's operations. This budget should be a balanced budget whereby there are adequate resources to fund all budgeted expenditures and should be updated periodically to reflect major changes.

Cause:

The School did have an initial adopted and amended budget during the fiscal year, however, the budget was not balanced and displayed an excess of expenditures over revenues for the year ended June 30, 2021.

Effect:

Budgets are created and maintained to help management control operations related to the revenues earned and expenditures spent during the year.

Recommendation:

Although the School had an excess of revenues over expenditures at the end of the June 30, 2021 fiscal year, it is important that the School maintain a balanced budget throughout the year to assist management and the board in properly managing the School.

Management Response:

The School shall maintain a balanced budget throughout the year to assist management and the Board in properly managing the School.

2021-004 – Allocation of Expenses

Condition and Criteria:

The School shares certain expenses with another related charter school. At times, one charter school pays certain expenditures and is reimbursed by the other charter school. During our audit we noted certain expenditures not being properly allocated on a timely basis.

Cause:

In our testing of disbursements we noted several shared expenditures that were not properly supported with an allocation between related schools.

Effect:

The School's expenditures could be under or overstated if the proper allocation between schools is not made on a timely basis.

Recommendation:

Although adjustments were made to properly allocate expenses under each school, management needs to allocate these amounts on a timely basis to verify that each school is reimbursed on timely basis.

Management Response:

The School and management understands how important it is to properly allocate the School's expenses. We will ensure that all expenses are properly allocated and that a priority is placed on the efficient and timely reimbursement if applicable.

2021-005: Segregation of Duties/Policies and procedures

Condition and Criteria:

During the audit, we noted that the School's policies and procedures were updated in response to the prior audit finding 2019-003. However, there were subsequent changes to management and staffing and the policies and procedures were not updated to reflect current duties and responsibilities. It was also noted that processes are not established for the preparation and review of key journal entries (such as expense allocations) and the reconciliation and review of receivables and payables at financial closing. In addition, the School has only one authorized signer, who is the owner of the current management consulting company, and all checks only require one signature.

Cause:

Due to turnover in the School's management and personnel, accounting policies and procedures were not formalized and documented for current duties and responsibilities.

Effect:

The adequate segregation of duties is the fundamental tenant of internal control. Lack of establishing and documenting key duties and responsibilities related to segregation of duties and management reconciliation and review allows for errors, both intentional and unintentional, to go undetected.

Recommendation:

Auditor recommends that the School updates their accounting policies and procedures manual to properly document the responsibilities and duties of current management, consultants and staff and to include procedures for the preparation, review and reconciliation of journal entries, receivables and payables at financial closing. In addition, the School should require an additional authorized signer for checks or payments over a determined threshold.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School did not maintain the information specified in Section 1002.33(9)(p), Florida Statutes on its Web site.

2021-006 – Website Maintenance

Condition and Criteria:

Per Florida Statute 1002.33(9)(p), each charter school shall maintain a website that enables the public to obtain information regarding the School. The School’s charter agreement requires the School to update their website quarterly for board member meetings, minutes and the current year budget.

Cause:

During our audit, we were unable to find the School’s board member meetings, minutes and the current year budget on the School’s website

Effect:

The public should have information about the School’s governing board minutes and activities and budget easily accessible on its website.

Recommendation:

We recommend that the School update its website on a periodic basis to include all required information including the School’s budget, board minute meeting and minutes.

Management’s Response:

The School will update its website on a periodic basis to include all required information including the School’s budget, board meetings and minutes.

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 note finding 2021-003 and 2021-006.

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
October 6, 2021