

Championship Academy of Distinction at Davie High School, Inc.

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021



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INDEPENDENT AUDITOR'S REPORT

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

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Championship Academy of Distinction at Davie High School, Inc. (the "School"), a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 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.

Emphasis of Matter – Going Concern

The School financial statements have been prepared assuming the School will continue as a going concern. As described in Note M, the School has suffered recurring losses from operations, has a net position deficiency, and substantial doubt exists about the School's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plan regarding these matters are also described in Note M. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 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.

McDonough CPA Solutions, PA

September 30, 2021
Rockledge, Florida

Management's Discussion and Analysis

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

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

Financial Highlights

- The School's overall net position decreased by \$660,671.
- Total ending unrestricted net position was a (deficit) of \$370,324.
- As of close of the current fiscal year, the School's governmental funds reported combined ending fund balance (deficit) of \$117,179.
- At the end of the current fiscal year, unassigned fund balance for the general fund was a (deficit) of \$188,065.

Overview of the Financial Statements

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

The School as a Whole

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

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

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

Management's Discussion and Analysis (continued)

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

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

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

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

The governmental-wide financial statements can be found listed on the table of contents of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements.

Management's Discussion and Analysis (continued)

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The School maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, special revenue fund, debt service fund, and capital outlay fund, all of which are considered to be major funds.

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, liabilities exceeded assets by (\$2,158,060) at June 30, 2021, compared to (\$1,497,389) at June 30, 2020.

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

Management's Discussion and Analysis (continued)

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

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

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
ASSETS			
Current assets	\$ 269,184	\$ 175,424	\$ 93,760
Capital assets - net of accumulated depreciation	<u>7,392,449</u>	<u>7,416,572</u>	<u>(24,123)</u>
Total assets	<u>7,661,633</u>	<u>7,591,996</u>	<u>69,637</u>
LIABILITIES			
Current liabilities	386,363	179,385	206,978
Non-current liabilities	<u>9,433,330</u>	<u>8,910,000</u>	<u>523,330</u>
Total liabilities	<u>9,819,693</u>	<u>9,089,385</u>	<u>730,308</u>
NET POSITION			
Net investment in capital assets	(2,007,551)	(1,493,428)	(514,123)
Restricted	219,815	87,909	131,906
Unrestricted	<u>(370,324)</u>	<u>(91,870)</u>	<u>(278,454)</u>
Total net position	<u><u>\$ (2,158,060)</u></u>	<u><u>\$ (1,497,389)</u></u>	<u><u>\$ (660,671)</u></u>

Current asset increased due to the issuance of a working capital loan cash proceeds received for infrastructure. Capital assets decreased in relationship to current year depreciation expense. Current liabilities increased mostly due to salaries and wages accruals, accrued expenses, and amounts due to related parties. Noncurrent liabilities increased due to the issuance of working capital loan related to infrastructure and accrued interest related to the debt.

Changes in the School's revenues were as follows:

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 15,365	\$ 22,927	\$ (7,562)
General revenues:			
Federal passed through state and local	16,888	-	16,888
State passed through local school district	627,532	592,755	34,777
Local and other revenues	5,358	2,746	2,612
Proceeds from PPP loan forgiveness	<u>87,180</u>	<u>-</u>	<u>87,180</u>
Total revenues	<u><u>\$ 752,323</u></u>	<u><u>618,428</u></u>	<u><u>\$ 133,895</u></u>

Operating grants and contributions decreased due to reductions in national school lunch program funding related to student lunches. Federal through state and local increased due to funding received from the elementary and secondary school emergency relief funds provided by the CARE act.

Management's Discussion and Analysis (continued)

State passed through local school district increased due to an increase in FEFP revenues related to student enrollment. Proceeds from PPP loan forgiveness was due to recognition of paycheck protection programs revenue having met eligibility requirements.

Expenses:

Basic instruction	\$ 503,581	\$ 328,437	\$ 175,144
Exceptional instruction	76,843	-	76,843
Student support services	12,750	-	12,750
Instructional technology	675	7,391	(6,716)
School administration	407,012	151,599	255,413
Fiscal services	33,154	15,062	18,092
Food services	6,154	54,130	(47,976)
Student transportation	-	16,276	(16,276)
Operation of plant	319,280	313,570	5,710
Interest & fiscal charges	53,545	129,124	(75,579)
Total expenses	<u>1,412,994</u>	<u>1,015,589</u>	<u>397,405</u>
Change in net position	(660,671)	(397,161)	(263,510)
Net position (deficit) - beginning	<u>(1,497,389)</u>	<u>(1,100,228)</u>	<u>(397,161)</u>
Net position (deficit) - ending	<u>\$ (2,158,060)</u>	<u>\$ (1,497,389)</u>	<u>(660,671)</u>

Basic instruction increased mainly due to increases in salaries and benefits relates to the State mandated salary increases. Exceptional instruction and student support services increased due to salary and benefits, professional and technical services and other purchased service. School administration increased due to professional and technical services, insurance and bond premiums, and dues and fees costs. Fiscal services increased due to professional and technical services. Food services decreased due to decreases in student lunches related to reduced attendance caused by the COVID 19 pandemic. Student transportation decreased due to reductions in transportation service during the year. Interest and fiscal charges decreased mainly due to a forbearance agreement related to the School's bonds.

Governmental activities. Governmental activities decreased the School's net position by (\$660,671) for the year ended June 30, 2021. Governmental activities decreased the School's net position by (\$397,161) for the year ended June 30, 2020.

Financial Analysis of the Government's Funds

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

Management's Discussion and Analysis (continued)

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

The fund balance of the School's general fund decreased by \$109,891 during the current fiscal year ended June 30, 2021.

General Fund Budgetary Highlights

Actual revenues are less than budgeted revenues by \$68,517 while actual expenditures exceeded budgeted expenditures by \$511,203.

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

Capital Asset and Debt Administration

Capital Assets. The School's net investment in capital assets, net of related debt for its governmental activities as of June 30, 2021, amounts to (\$2,007,511) (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and equipment. Additional information on the School's capital assets can be found in the accompanying notes to the financial statements.

Debt and Long-Term Liabilities. The School financed the construction of its facilities through issuance of 2018A and 2018B revenue bonds in the amount of \$8,910,000. The bonds mature during the year ended June 30, 2026, and require monthly interest payments and one balloon payment. In addition, the School received a working capital note related to the Infrastructure for the building in the amount of \$490,000. Additional information on the School's long-term debt can be found in the accompanying notes to the financial statements.

Economic Factor

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to increase from 91 students in 2020/2021 to 134 students for the 2021/2022 school year.

Request for Information

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

Championship Academy of Distinction at Davie High School, Inc.
STATEMENT OF NET POSITION (DEFICIT)
June 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$	28,949
Restricted cash		212,970
Accounts receivable		20,420
Deposits		6,845
		269,184
Total current assets		269,184

CAPITAL ASSETS

Capital assets not being depreciated:		
Construction in progress		138,635
Capital assets, net of accumulated depreciation:		
Building and Equipment		7,209,106
Furniture, fixtures and equipment		44,708
		7,392,449
Total capital assets, net		7,392,449
Total assets		7,661,633

LIABILITIES AND NET POSITION

LIABILITIES

Accounts payable		55,903
Accrued payroll liabilities		72,429
Due to related parties		258,031
Long-term liabilities:		
Bond payable, due after one year		8,910,000
Note payable, due after one year		490,000
Accrued interest, due after one year		33,330
		9,819,693
Total liabilities		9,819,693

NET POSITION (DEFICIT)

Net investment in capital assets, net of related debt		(2,007,551)
Restricted for:		
Deposits		6,845
Debt service		212,970
Unrestricted		(370,324)
		(2,158,060)
Total net position (deficit)		\$ (2,158,060)

Championship Academy of Distinction at Davie High School, Inc.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Basic instruction	\$ 503,581	\$ -	\$ 13,750	\$ -	\$ (489,831)
Exceptional instruction	76,843	-	-	-	(76,843)
Student support services	12,750	-	-	-	(12,750)
Instructional technology	675	-	-	-	(675)
School administration	407,012	-	-	-	(407,012)
Fiscal services	33,154	-	-	-	(33,154)
Food services	6,154	-	1,615	-	(4,539)
Operation of plant	319,280	-	-	-	(319,280)
Debt service - interest & fiscal charges	53,545	-	-	-	(53,545)
Total governmental activities	<u>\$ 1,412,994</u>	<u>\$ -</u>	<u>\$ 15,365</u>	<u>\$ -</u>	<u>(1,397,629)</u>
General revenues:					
					16,888
					627,532
					<u>5,358</u>
					649,778
					<u>87,180</u>
					<u>736,958</u>
					(660,671)
					<u>(1,497,389)</u>
					<u>\$ (2,158,060)</u>

Championship Academy of Distinction at Davie High School, Inc.
BALANCE SHEET – GOVERNMENTAL FUNDS
For the Year June 30, 2021

	<u>General Fund</u>	<u>Debt Service Funds</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 28,949	\$ -	\$ -	\$ -	\$ 28,949
Restricted cash	-	60,858	152,112	-	212,970
Accounts receivable	-	-	-	20,420	20,420
Due from other funds	159,338	-	-	-	159,338
Deposits	6,845	-	-	-	6,845
Total assets	<u>\$ 195,132</u>	<u>\$ 60,858</u>	<u>\$ 152,112</u>	<u>\$ 20,420</u>	<u>\$ 428,522</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 45,892	\$ -	\$ 10,011	\$ -	\$ 55,903
Accrued payroll liabilities	72,429	-	-	-	72,429
Due to related parties	258,031	-	-	-	258,031
Due to other funds	-	13,705	142,101	3,532	159,338
Total liabilities	<u>376,352</u>	<u>13,705</u>	<u>152,112</u>	<u>3,532</u>	<u>545,701</u>
FUND BALANCES					
Nonspendable					
Deposits	6,845	-	-	-	6,845
Restricted					
Debt service	-	47,153	-	-	47,153
Capital projects	-	-	-	-	-
Unassigned	(188,065)	-	-	16,888	(171,177)
Total fund balances	<u>(181,220)</u>	<u>47,153</u>	<u>-</u>	<u>16,888</u>	<u>(117,179)</u>
Total liabilities and fund balances	<u>\$ 195,132</u>	<u>\$ 60,858</u>	<u>\$ 152,112</u>	<u>\$ 20,420</u>	<u>\$ 428,522</u>

Championship Academy of Distinction at Davie High School, Inc.
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
For the year ended June 30, 2021

Total Fund Balance - Governmental Funds		\$ (117,179)
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:</p>		
Capital assets	7,936,135	
Accumulated depreciation	<u>(543,686)</u>	7,392,449
<p>Long-term liabilities, including note and bonds payable, are not due and payable in the current period and , therefore, are not reported in the funds.</p>		
Bonds payable	(8,910,000)	
Note payable	(490,000)	
Accrued interest	<u>(33,330)</u>	(9,433,330)
Net Position (Deficit) of Governmental Activities		\$ (2,158,060)

Championship Academy of Distinction at Davie High School, Inc.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the year ended June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Federal passed through state and local	\$ -	\$ -	\$ -	\$ 30,638	\$ 30,638
State passed through local school district	627,532	-	-	-	627,532
Other revenues	5,358	-	-	1,615	6,973
Total revenues	<u>632,890</u>	<u>-</u>	<u>-</u>	<u>32,253</u>	<u>665,143</u>
Expenditures					
Current:					
Basic instruction	520,606	-	-	13,750	534,356
Exceptional instruction	76,843	-	-	-	76,843
Student support services	12,750	-	-	-	12,750
Instructional technology	675	-	-	-	675
School administration	407,012	-	-	-	407,012
Fiscal services	33,154	-	-	-	33,154
Food services	4,539	-	-	1,615	6,154
Operation of plant	125,747	-	138,635	-	264,382
Interest & fiscal charges	-	20,215	-	-	20,215
	<u>1,181,326</u>	<u>20,215</u>	<u>138,635</u>	<u>15,365</u>	<u>1,355,541</u>
Excess (deficiency) of revenues over (under) expenditures	(548,436)	(20,215)	(138,635)	16,888	(690,398)
Other financing sources and (uses)					
Loan proceeds	-	-	490,000	-	490,000
Proceeds from PPP loan forgiveness	87,180	-	-	-	87,180
Total other financing sources and (uses)	<u>87,180</u>	<u>-</u>	<u>490,000</u>	<u>-</u>	<u>577,180</u>
Net change in fund balance	(461,256)	(20,215)	351,365	16,888	(113,218)
Fund balances at July 1, 2020	(71,329)	67,368	-	-	(3,961)
Fund balances at June 30, 2021	<u>\$ (532,585)</u>	<u>\$ 47,153</u>	<u>\$ 351,365</u>	<u>\$ 16,888</u>	<u>\$ (117,179)</u>

Championship Academy of Distinction at Davie High School, Inc.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES –GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

Net Change in Fund Balances - Governmental Funds \$ (113,218)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

Capital outlay	172,585	
Provision for depreciation	<u>(196,708)</u>	(24,123)

The issuance of long-term debt (e.g., bonds, note payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long term debt and related items:

Accrued interest	(33,330)	
Proceeds on note payable	<u>(490,000)</u>	(523,330)

Change in Net Position - Governmental Activities	<u><u>\$ (660,671)</u></u>
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Championship Academy of Distinction at Davie High School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

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

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

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

2. Government-wide and fund financial statements

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

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

Championship Academy of Distinction at Davie High School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures and other financing sources and uses.

Championship Academy of Distinction at Davie High School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

Championship Academy of Distinction at Davie High School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Capital Outlay Fund – to account for the financial resources that are restricted, committed or assigned to expenditures for capital outlay.

4. Cash

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

5. Restricted assets

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

6. Interfund activity

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. At the end of the year, the debt service fund owed the general fund \$13,705. The other governmental funds owed the general fund \$3,532. The capital project fund owed the general fund \$142,101.

Transfers are used to move unrestricted general fund revenues to finance programs (i.e. national school lunch program) that the School must account for in other funds. During the year, the general fund transferred \$138,635 to the capital projects fund.

Championship Academy of Distinction at Davie High School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital assets

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

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

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

8 Long-term debt

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

9. Revenue recognition

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

10. Revenue Sources

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

Championship Academy of Distinction at Davie High School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Revenue Sources (continued)

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (“FDOE”) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(l)(e)2., Florida Statutes. For the fiscal year ended June 30, 2021, the School reported 91.07 unweighted FTE and 94.0393 weighted FTE.

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

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

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

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

Championship Academy of Distinction at Davie High School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Revenue sources (continued)

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

11. Income taxes

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

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

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

12. Budget

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

13. Use of estimates

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

14. Recent accounting pronouncements

The GASB issued Statement No. 87, Leases, which establishes new guidance for lease accounting for lessees and lessors and eliminates the classification of leases into operating or capital leases. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Lessees will recognize a lease liability and an intangible right to use lease asset. Lessors will recognize a lease receivable and a deferred inflow of resources. The new guidance is effective for fiscal year 2022. The School is evaluating the effect of these new standards on its financial statements.

Championship Academy of Distinction at Davie High School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE B – CASH

Cash is made up of deposits and cash on hand totaling \$46,210 at June 30, 2021. The School’s deposits must be placed with a financial institution designated by the Treasurer of the State of Florida as a “qualified public depository”, as defined in Chapter 280, Florida Statutes. The School deposits are held with a qualified depository and are covered by the collateral pool as the School has identified itself as a public entity. At June 30, 2021, none of the School’s balances held were exposed to custodial credit risk.

NOTE C – CAPITAL ASSETS

Changes in capital assets activity were as follows:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2021</u>
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 138,635	\$ -	\$ 138,635
Total capital assets not being depreciated	<u>-</u>	<u>138,635</u>	<u>-</u>	<u>138,635</u>
Capital assets depreciated:				
Building and equipment	7,741,322	-	-	7,741,322
Furniture, fixtures and equipment	22,228	33,950	-	56,178
Total capital assets depreciated	<u>7,763,550</u>	<u>33,950</u>	<u>-</u>	<u>7,797,500</u>
Less accumulated depreciation:				
Building and equipment	338,683	193,533	-	532,216
Furniture, fixtures and equipment	8,295	3,175	-	11,470
Total accumulated depreciation	<u>346,978</u>	<u>196,708</u>	<u>-</u>	<u>543,686</u>
Total capital assets, net	<u>\$ 7,416,572</u>	<u>\$ (24,123)</u>	<u>\$ -</u>	<u>\$ 7,392,449</u>

Depreciation expense for the year ended June 30, 2021 was charged to functions of the School as follows:

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

Championship Academy of Distinction at Davie High School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE D – RELATED PARTIES

1. Related charter schools

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

As of June 30, 2021, the School’s receivables (payables) balance with related parties are the following:

<u>Championship Academy of Distinction</u>	<u>Receivables</u>	<u>Payables</u>	<u>Totals</u>
at Hollywood, Inc.	\$ -	\$ (49,014)	\$ (49,014)
at Hollywood Middle, Inc.	14,658	-	14,658
at Davie, Inc.	4,090	(10,000)	(5,910)
at K-8 (3), Inc.	68,152	(285,917)	(217,765)
	<u>\$ 86,900</u>	<u>\$ (344,931)</u>	<u>\$ (258,031)</u>

2. Management Consultant

Effective July 1, 2020, the School entered into a consulting agreement with the management consultant for management of the day-to-day educational and operational aspects of the School required by the forbearance agreement with the School (See Note E). The School agreed to pay the management consultant up to 14% of the School Board payments to the School per month for services during its fiscal year June 30, 2021 in accordance with the consultant agreement. As of June 30, 2021, the management consultant was pay the amount of \$83,278 related to the consulting fees, with \$17,958 included in accrued expenses.

Championship Academy of Distinction at Davie High School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE E – LONG-TERM DEBT

1. Changes in long-term liabilities

The following is a summary of changes in long-term obligations of the School for the year ended June 30, 2021:

	Long-term obligation at July 1, 2020	Additions	Reductions	Long-term obligation at June 30, 2021	Due within one year
Revenue bonds:					
Series 2018A	\$ 8,425,000	\$ -	\$ -	\$ 8,425,000	\$ -
Series 2018B	485,000	-	-	485,000	-
Total revenue bonds	<u>8,910,000</u>	<u>-</u>	<u>-</u>	<u>8,910,000</u>	<u>-</u>
Note payable	-	490,000	-	490,000	-
Total loans payable	<u>-</u>	<u>490,000</u>	<u>-</u>	<u>490,000</u>	<u>-</u>
	<u>\$ 8,910,000.00</u>	<u>\$ 490,000.00</u>	<u>\$ -</u>	<u>\$ 9,400,000.00</u>	<u>\$ -</u>

The construction of the School’s facility in 2018 was financed by the issuance of Series 2018A and 2018B bonds, which totaled \$8,425,000, as educational facilities revenue bonds, maturing November 15, 2025, and carrying interest of 8.25%. Series 2018B totaled \$485,000 as a taxable educational facilities revenue bond, maturing November 15, 2025, and carrying interest of 8.50% (See Note E-2).

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

Enrollment for the School during the 2020-2021 school year was 91 students. The number of students enrolled for the 2020-2021 school year is expected to increase to 134.

On August 1, 2020, the School was financed with a taxable revenue note, series 2020A for \$500,000 to fund working capital purposes and infrastructure projects. The 2020A note carries an interest rate of 8% with maturity on August 1, 2022, two years from the date of issuance. The note requires the principal and interest due at maturity of the note (See Note E-3).

Championship Academy of Distinction at Davie High School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE E – LONG-TERM DEBT (Continued)

2. Bonds Payable

As a result of the School’s inability to pay principal and interest as due on the previous bond issues, the School entered into a forbearance agreement (“the agreement”) with the Trustee on June 30, 2020 and ending on September 2, 2022, unless extended (See Note N regarding extension). The forbearance requires the School to meet certain additional conditions:

- The outstanding amount of the Series 2018 Promissory Notes and Bonds shall not be subject to reduction.
- Management or management consulting fees payable shall not exceed the equivalent of 14.00% of the School Board Payments of the Borrower. Management or management consultant fees for future fiscal years shall remain subordinate to debt service.
- On or before July 1, 2020, the School agrees to provide the Trustee a copy of its initial operating budget for FY 2021 (the “FY2021 Budget”) review. The FY2021 Budget shall be posted to EMMA within seven days of its adoption by the School’s governing body.
- In addition to the requirements of the loan agreement on or before the 15th of each month, commencing August 15, 2020, the School shall provide monthly financial reports to the Trustee and the Bondholder Representative.

The annual requirements to amortize all revenue bonds outstanding as of June 30, 2021 are as follows:

Years ending June 30,	Principal	Interest	Total
2022	\$ -	\$ 2,051,077	\$ 2,051,077
2023	-	736,288	736,288
2024	-	736,288	736,288
2025	-	736,288	736,288
2026	8,910,000	276,108	9,186,108
	<u>\$ 8,910,000</u>	<u>\$ 4,536,049</u>	<u>\$ 13,446,049</u>

The School is required to disclose the calculation of debt service coverage ratio and days cash on hand as of June 30, 2021 under the bond agreement. However, the bond company has waived these requirements due to a forbearance agreement related to the bonds.

3. Note Payable - Accrued Interest

The 2020A note carries an interest rate of 8% with maturity on August 1, 2022, two years from the date of issuance. The School has recognized accrued interest related to the note of

Championship Academy of Distinction at Davie High School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

\$33,330 due at the maturity of the note on August 1, 2022. The interest is considered long-term for financial reporting purposes.

NOTE F – CONCENTRATIONS

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

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Broward County, Florida	
Base student allocation	\$ 421,234
Discretionary local effort	53,398
Digital classrooms allocation	58
Discretionary lottery	20,141
Reading allocation	3,794
Proration to appropriation	(1,815)
ESE guaranteed allocation	15,255
Class size reduction	85,188
Transportation	20,384
Safe schools	5,644
Instructional materials	7,061
Funding compression allocation	479
Mental health allocation	3,094
	<hr/>
	633,915
Miscellaneous state revenue	1,580
Florida teacher classroom supply assistance program	2,255
Total from the School Board of Broward County	<hr/>
	637,750
Other revenue:	
ESSER grant	20,420
National school lunch program	1,615
Other revenues	5,358
	<hr/>
	\$ 665,143

The administrative fee paid to the District during the year ended June 30, 2021, totaled \$31,308.

NOTE G - FUNDING AND CREDIT RISK CONCENTRATIONS

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget

Championship Academy of Distinction at Davie High School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

NOTE H - COMMITMENTS AND CONTINGENCIES

Management Consultant

The School entered into a consulting agreement on July 1, 2020. The management consultant is part of the payment forbearance with the School bonds (see Note E-1). The management consultant provides the opportunity to improve the current and long-term financial and academic viability of the High School. Under the terms of the agreement, The School agreed to pay the management consultant up to 14% of the School Board payments to the School per month for services during its fiscal year June 30, 2021. The total amount incurred during the year ended June 30, 2021, relating to this contract was \$83,278 related to the consulting fees, with \$17,958 included in accrued expenses (See Note D-2).

NOTE I - CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2021, may be impaired.

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

NOTE J - RISK MANAGEMENT PROGRAMS

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

NOTE K - LEGAL MATTERS

Championship Academy of Distinction at Davie High School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

NOTE L – PAYCHECK PROTECTION PROGRAM LOAN

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

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. At June 30, 2021, the School recognized loan forgiveness from the SBA due to meeting eligibility requirements of the Paycheck Protection Program Loan. The Loan forgiveness recognized is as follows:

<u>July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2021</u>
\$ 87,180	\$ -	\$ 87,180	\$ -

NOTE M – GOING CONCERN

The financial statements have been prepared on a going concern basis which assumes the School will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The School has a negative net position of \$2,163,160 as of June 30, 2021.

Management believes these conditions raise substantial doubt about the School’s ability to continue as a going concern within the next twelve months from the date these financial statements are available to be issued. The ability to continue as a going concern will be dependent upon profitable future operations, positive cash flows, and additional financing.

Management believes there are mitigating factors as to the going concern, however, are unable to determine at this time whether these factors will be implemented effectively for the upcoming 12 month period. These factors include:

- 66% increase in enrollment as compared to prior year.
- Improvement of FSA test scores of students and overall school grade.
- Implementation of marketing programs in conjunction with Building Hope, LLC.

Championship Academy of Distinction at Davie High School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

- Refund of escrowed funds upon capital project completion with City.
- Bondholders expected to provide additional funding/financing.

NOTE N – SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 30, 2021, the date which the financial statements were available for issuance; and has determined that no material events occurred that would require additional disclosure in the financial statements except for:

The State of Florida issued emergency order 2021-EO-02 for the successful reopening of all state's public schools, and 2021-EO-01, which expended the statewide testing window to ensure that every student can safely complete their state assessments. In addition, the School is subject to the Broward County Health Department requirements. In the event of a coronavirus outbreak within the School, campus classes may be cancelled and students will be required to take classes remotely. The virus could have negative effects on the School's financial position, results of operations and/or cash flows, the specific outcome is not ready determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Commencing on July 1, 2021, retroactive to June 1, 2021, and ending on September 2, 2022, the School extended the forbearance of the educational facilities revenue bonds, series 2018A and taxable educational facilities revenue bonds, series 2018B in the original aggregate principal amount of \$8,910,000 pursuant to that certain indenture.

REQUIRED SUPPLEMENTARY INFORMATION

Championship Academy of Distinction at Davie High School, Inc.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
State passed through local school district	\$ 621,152	\$ 621,152	\$ 627,532	\$ 6,380
Local and other revenues	80,255	80,255	5,358	(74,897)
Total revenues	701,407	701,407	632,890	(68,517)
Expenditures				
Basic instruction	329,879	329,879	520,606	(190,727)
Exceptional instruction	-	-	76,843	(76,843)
Student support services	28,749	28,749	12,750	15,999
Instructional technology	-	-	675	(675)
Board expenses	9,500	9,500	-	9,500
General administration	32,066	32,066	-	32,066
School administration	126,108	126,108	407,012	(280,904)
Facilities and acquisitions	-	-	-	-
Fiscal services	20,700	20,700	33,154	(12,454)
Food services	-	-	4,539	(4,539)
Student transportation	12,000	12,000	-	12,000
Operation of plant	109,621	109,621	125,747	(16,126)
Maintenance of plant	1,500	1,500	-	1,500
Total expenditures	670,123	670,123	1,181,326	(511,203)
Excess (deficiency) of revenues over (under) expenditures	31,284	31,284	(548,436)	(579,720)
Other financing sources (uses)				
Proceeds from PPP Loan Forgiveness	-	-	577,180	577,180
Transfers in/out	-	-	(138,635)	(138,635)
Net change in fund balance	-	-	438,545	438,545
Net change in fund balance	31,284	31,284	(109,891)	(141,175)
Fund balance at July 1, 2020	(71,329)	(71,329)	(71,329)	-
Fund balance at June 30, 2021	\$ (40,045)	\$ (40,045)	\$ (181,220)	\$ (141,175)

The accompanying note is an integral part of this financial statement.

Championship Academy of Distinction at Davie High School, Inc.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – DEBT SERVICE FUND
For the year ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Resources				
Federal passed through state and local	\$ -	\$ -	\$ -	\$ -
Expenditures				
Interest & fiscal charges	-	-	20,215	(20,215)
Total expenditures	-	-	20,215	(20,215)
Net change in fund balance	-	-	(20,215)	20,215
Fund balance at July 1, 2020	67,368	67,368	67,368	-
Fund balance at June 30, 2021	<u>\$ 67,368</u>	<u>\$ 67,368</u>	<u>\$ 47,153</u>	<u>\$ 20,215</u>

The accompanying note is an integral part of this financial statement.

Championship Academy of Distinction at Davie High School, Inc.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – CAPITAL PROJECTS FUND
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Resources				
Federal passed through local school district	\$ -	\$ -	\$ -	\$ -
Expenditures				
Operation of plant	-	-	138,635	(138,635)
Total expenditures	-	-	138,635	(138,635)
Other financing sources (uses)				
Loan proceeds	-	-	-	-
Transfers in/out			138,635	
Total other financing sources and (uses)	-	-	138,635	-
Net change in fund balance	-	-	-	138,635
Fund balance at July 1, 2020	-	-	-	-
Fund balance at June 30, 2021	\$ -	\$ -	\$ -	\$ 138,635

Championship Academy of Distinction at Davie High School, Inc.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

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

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

COMPLIANCE INFORMATION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Championship Academy of Distinction at Davie High School, Inc. (the "School"), as of and for the year ended June 30, 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 September 30, 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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of management findings, recommendations and responses as items 2021-1 – 2021-2.

The School's Response to Findings

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

Purpose of this Report

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

McDonough CPA Solutions, PA

September 30, 2021
Rockledge, Florida

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Championship Academy of Distinction at Davie High School, Inc. (the "School"), a component unit of the Broward County School District, Florida, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 30, 2021.

Auditor's Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated September 30, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

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

Financial Condition and Management

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, requires 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 any 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.

Section 10.854(1)(e)3., Rules of the Audit General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations separate from the audit findings.

Transparency

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

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did have the following findings 2021-01 and 2021-02.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, other governmental agencies, the Board of Directors, applicable School's management, and the Broward County School District, and is not intended to be and should not be used by anyone other than these specified parties.

McDonough CPA Solutions, PA

September 30, 2021
Rockledge, Florida

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

For the year ended June 30, 2021, there were the following audit findings, recommendations, or responses:

2021-01: Budget Expenditures

Noncompliance

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

Cause: Although the School had an internal adopted and amended budget during the fiscal year for changes in activity, the budget was not maintained for all changes in operating activity. The original budget was unbalanced and provided for too many resources to be available to the School as compared to the economic circumstances. As reported in the Budgetary Comparison Schedule for the General Fund, actual expenditures exceeded final budgeted expenditures by \$511,203. Also, as reported, the Budgetary Comparison Schedule for the Debt Service Fund, final actual expenditures exceeded final budget expenditures by \$20,215. Finally, as reported in the Budgetary Comparison Schedule for the Capital Projects Fund, final actual expenditures exceeded final budget by \$138,635.

Effect: The School's operating budgets are created to help management control operations related to the revenue earned and the cost spent. The School did not adjust the original budget to reflect the actual final balances or updating guidelines to control spending and revenues resulting in negative operating results.

Auditor's recommendation: The School must annually adopt and maintain a budget. We recommend the School review the budget to periodically adjust the budget to actual and the School adopt a final budget process to reflect year end spending and revenues resulting in operating results.

School Response: The original budgets were prepared by the previous management company. The School's management and governing board used a working budget they adjusted and reviewed with the bond company throughout the fiscal year. Although the School didn't officially adopt a final budget, the School does recognize the importance of a properly managed budget. In future, the governing board will make the appropriate amendments at least semi-annually.

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

2021-02: Employee fingerprinting

Noncompliance

Condition and Criteria: The School's charter agreement requires the employees of the School comply with the fingerprinting requirements of Section 1012.32, Florida Statute.

Conditions: The School is required under its charter agreement to have approved contracts, certificates, and fingerprints on file. We selected a random sample of 10 employee records and noted that 7 were missing a record of fingerprinting expiration dates.

Cause: The School was unable to produce a copy of the employees' fingerprinting and background information due to the contracting agency by the district not giving the School access to the fingerprint system.

Effect: the School does not have access to fingerprint and background information.

Auditor's recommendation: In order to ensure the School is in compliance with the Charter agreement and Florida Statutes, we recommend that the School institute procedures to ensure that all employees have current and valid fingerprints and backgrounds through the School District are accessible.

School Response: The School agrees they were missing documentation of fingerprinting; however, the school has tried to gain access to their fingerprinting results with the agency the District contracts to provide that service. The access was held by the School's previous management company, and the agency contracted by the District to provide this service, has yet to supply the School with the necessary access after repeated requests. The School is still working diligently to gain the access, but all employees and contractors have provided receipt of completing the background checks.

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES (continued)

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

2020-01: Due from Management Company

Material Weakness

Status: Cleared

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

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

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

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

2020-02: Employee Contracts/Wage Approvals

Significant Deficiency

Status: Cleared

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

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

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

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES (continued)

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

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

2020-03 – Website maintenance

Noncompliance

Status: Cleared

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

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

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

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

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES (continued)

2020-04: Budget Expenditures

Noncompliance

Status: Cleared

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

Cause: Although the School had an internal adopted and amended budget during the fiscal year for changes in activity, the budget was not maintained for all changes in operating activity. The original budget was unbalanced and provided for too many resources to be available to the

School as compared to the economic circumstances. Therefore, the original and amended budget were not approved by the School District. As reported in the Budgetary Comparison Schedule for the General Fund, actual expenditures exceeded final budgeted expenditures by \$85,856. Also, as reported, the Budgetary Comparison Schedule for the Debt Service Fund, final budgeted expenditures exceeded final actual expenditures by \$607,164.

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

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

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES (continued)

2020-05: Insurance Policy Maintenance

Noncompliance

Status: Cleared

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

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

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

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

2019-001: Disbursements – Record Retention and Approvals

Status: Cleared

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

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

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

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

2019-002: Use of Debit and Credit Cards

Status: Cleared

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

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

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

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES (continued)

2019-002: Use of Debit and Credit Cards (Continued)

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

2019-003: Segregation of Duties

Status: Cleared

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

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

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

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