

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

Year Ended June 30, 2022

Sunshine Elementary Charter School, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sunshine Elementary Charter School, Inc.
A Charter School and Component Unit of the
District School Board of Broward County, Florida
Hollywood, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sunshine Elementary Charter School, Inc. ("SECS"), a charter school, as of and for the fiscal year ended June 30, 2022 and the related notes to the financial statements, which collectively comprises Sunshine Elementary Charter School, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund for Sunshine Elementary Charter School, Inc., as of June 30, 2022, 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 Matters

Change in Accounting Principle - GASBS 87

As described in Note 1 to the financial statements, SECS adopted the Statement of the Governmental Accounting Standards Board (GASBS) No. 87- *Leases*. The adoption did not result in any changes to beginning net position or fund balances. Our opinion is not modified with respect to this matter.

Reporting Entity

As described in Note 1 to the financial statements, the accompanying financial the statements present the financial position of the governmental activities, and each major fund, of SECS as of June 30, 2022, and the respective changes in financial position for the year then ended. Our opinion is not modified with respect to this matter.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SECS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SECS's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain profession skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SECS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about SECS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we have identified during the audit.

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 on pages 4 – 9 and 28 – 29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022, on our consideration of the Sunshine Elementary Charter School, Inc.'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sunshine Elementary Charter School, Inc.'s 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 Sunshine Elementary Charter School, Inc.'s internal control over financial reporting and compliance.



Hollywood, FL
October 10, 2022

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Our discussion and analysis of the Sunshine Elementary Charter School, Inc.'s ("SECS") financial program provides an overview of SECS's financial activities for the year ended June 30, 2022.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with SECS's financial statements which begin on page 9.

For financial statement purposes, SECS is considered a component unit of the District School Board of Broward County, Florida, which is a primary government entity for financial reporting. SECS has included separate statements for the Balance Sheet of Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds. The Fund Financial Statements reflect financing activities of SECS by providing information on inflows and outflows of spendable resources, while the Statement of Net Assets and the Statement of Activities provide information on the activities of SECS.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of SECS's financial position. Included in these statements are all assets and liabilities using the accrual method of accounting. All of the current year's revenues and expenses are recorded when received.

The Statement of Net Position presents information on all of SECS's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of SECS is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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.

Governmental Funds - All of SECS's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the SECS's governmental activities and the basic services it provides.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Notes to the 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 16 – 27 of this report.

HIGHLIGHTS

On May 1, 2019, Capital Trust Agency issued Educational Facilities Revenue Bonds (Paragon Academy of Technology and Sunshine Elementary Charter School Project) Series 2019A in the aggregate principal amount of \$7,470,000 (the “Series 2019A Bonds”) and its Taxable Educational Facilities Revenue Bonds (Paragon Academy of Technology and Sunshine Elementary Charter School Project) Series 2019B, in the aggregate principal amount of \$390,000 (the “Series 2019B Bonds” and together with the Series 2019A Bonds, the “Series 2019 Bonds”) pursuant to the terms of an Indenture of Trust (the “Indenture”), by and between SECS and Capital Trust Agency and US Bank Trust, as trustee (the “Trustee”) as financing for the purchase of land, building and future improvements. SECS made all its required payments for the year ended June 30, 2022.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of SECS’s financial position. SECS’s assets exceeded liabilities by \$95,605 and \$264,774 at June 30, 2022 and June 30, 2021, respectively.

NET POSITION

	2022	2021	Variance
Current Assets	\$ 1,758,740	\$ 1,983,762	\$ (225,022)
Capital Assets	6,575,384	6,719,059	(143,675)
Deferred Outflows of Resources	2,302,166	-	2,302,166
Total Assets	\$ 10,636,290	\$ 8,702,821	\$ 1,933,469
Current Liabilities	463,729	255,014	208,715
Non-current Liabilities	7,830,000	8,183,033	(353,033)
Deferred Inflows of Resources	2,246,956	-	2,246,956
Total Liabilities	\$ 10,540,685	\$ 8,438,047	\$ 2,102,638

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Unrestricted	1,361,504	1,108,161	253,343
Restricted	<u>(11,283)</u>	<u>285,887</u>	<u>(297,170)</u>
Total Net Position	<u>95,605</u>	<u>264,774</u>	<u>(169,169)</u>
 Total Liabilities and Net Position	 \$ <u>10,636,290</u>	 \$ <u>8,702,821</u>	 \$ <u>1,933,469</u>

<u>Revenue Sources</u>	<u>2022</u>	<u>2021</u>	<u>Variance</u>
State passed through local school	\$ 2,093,864	\$ 2,650,978	(557,114)
Federal passed through local schools	403,222	389,459	13,763
Other revenue	<u>620,634</u>	<u>172,396</u>	<u>448,238</u>
 Total	 \$ <u>3,117,720</u>	 \$ <u>3,212,833</u>	 \$ <u>(95,113)</u>

The net position decreased as a result of SECS's payment of debt obligations from its non-current liabilities.

Revenues for governmental activities totaled \$3,117,759 and \$3,212,833 for the years ended June 30, 2022 and 2021, respectively. The main source of revenue was from the Florida Education Finance Program ("FEFP"). This revenue represented approximately 59% and 72% for 2022 and 2021 of total revenue, respectively. The Federal Lunch Program allows for breakfast and lunch for the students and is the major component of federal funds received. However, there was an increase in federal lunch program revenue as SECS was open for the full year.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Expenses for major functions of SECS are shown in the following table:

	<u>2022</u>	<u>2021</u>	<u>Variances</u>
Instruction	\$ 1,163,985	\$ 1,246,626	\$ (82,641)
Pupil personnel services	48,937	66,878	(17,941)
Instructional media services	-	-	-
Instruction and curriculum development services	60,563	56,012	4,551
Instructional related technology	22,767	15,454	7,313
Board expenses	108,982	21,964	87,018
General administration	-	93,377	(93,377)
School administration	546,205	251,643	294,562
Facilities acquisitions & construction	159,375	122,091	37,284
Fiscal services	74,250	83,785	(9,535)
Food services	213,745	152,929	60,816
Pupil transportation services	46,121	48,035	(1,914)
Operation of plant	315,262	293,553	21,709
Maintenance of plant	20,226	25,980	(5,754)
Community activities	29,587	-	29,587
Debt service	<u>476,923</u>	<u>477,570</u>	<u>(647)</u>
 Totals	 <u>\$ 3,286,928</u>	 <u>\$ 2,955,897</u>	 <u>\$ 331,031</u>

The decrease in instruction cost was the result of a decrease in instructional staff as compared to the prior year. The pupil transportation services had a slight decrease in the current year. The school administration expense increase was related to the creation of an administrative retirement reserve that will continue into 2022-2023. Debt service decreased slightly as SECS didn't have to pay bond related costs in the current school year.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

FUND FINANCIAL ANALYSIS

Key highlights for the fiscal years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>	<u>Variances</u>
Revenues	\$ 3,117,759	\$ 3,212,833	\$ (95,074)
Expenditures	(3,161,586)	(3,110,680)	(50,906)
Other financing sources	<u>(334,700)</u>	<u>334,700</u>	<u>(669,400)</u>
Change in fund balance	(378,527)	436,853	(815,380)
Fund balance, beginning of year	<u>1,728,748</u>	<u>1,291,895</u>	<u>436,853</u>
Fund balance, end of year	<u>\$ 1,350,221</u>	<u>\$ 1,728,748</u>	<u>\$ (378,527)</u>

CURRENT YEAR VS PRIOR YEAR RESULTS – FUND BASIS

The 2021 – 2022 school year was the sixteenth year that SECS enrolled students. Total revenue was \$3,117,759 and \$3,212,833 for the years ended June 30, 2022 and 2021, respectively. The decrease in revenue was the result of the school not receiving Covid-19 grants received from the state. Total expenses were \$3,161,586 and \$3,110,680 for the years ended June 30, 2022 and 2021, respectively. The increase in expenses is primarily attributable to the increase in instruction costs as the school had to hire additional teaching staff due to the increase in class room participation.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenue was \$32,991 less than final budgeted as SECS anticipated more students in the final budget. Total expenses were approximately \$399,600 less than the budget due to a decrease in teacher, board and school administration expense.

DEBT MANAGEMENT

The total outstanding bonds payable at June 30, 2022 was \$7,830,000 and the principal payment is coming due by June 30, 2023 for \$30,000. The remainder of the balance is classified as long-term debt due after one year. In addition, SECS received a Paycheck Protection Program loan for \$334,700 in the prior school year and it was forgiven in full in July 2021 and therefore the loan did not have to be repaid.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

PROSPECTS FOR THE FUTURE

On May 1st, 2019, SECS purchased the building they were renting. There are unoccupied buildings on the property which were not used in the past years, and SECS plans to explore their options of utilizing this new found space and updating it to code to generate additional revenue.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Sunshine Elementary Charter School, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sunshine Elementary Charter School, Inc., 502 N. 28 Avenue, Hollywood, Florida 33020.

Sunshine Elementary Charter School, Inc.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

Statement of Net Position
June 30, 2022

		Governmental Activities
ASSETS		
CURRENT ASSETS		
Cash	\$	1,036,783
Prepaid expenses		6,250
Due from other agencies		8,436
Restricted cash held by trustee		707,271
Total current assets		1,758,740
 CAPITAL ASSETS		
Land		2,879,980
Building, furniture, fixtures and equipment		4,305,013
Total capital assets		7,184,993
Less accumulated depreciation and amortization		(609,609)
Total capital assets, net		6,575,384
 DEFERRED OUTFLOWS OF RESOURCES		 2,302,166
Total assets	\$	10,636,290
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Salaries and wages payable	\$	137,019
Accounts payable		51,710
Accrued administrative retirement		275,000
Total current liabilities		463,729
 NON-CURRENT LIABILITIES		
Portion due within one year		
Bonds payable		30,000
Portion due after one year		
Bonds payable		7,800,000
Total non-current liabilities		7,830,000
 DEFERRED INFLOWS OF RESOURCES		 2,246,956
Total liabilities		10,540,685
 NET POSITION		
Investment in Capital Assets		(1,254,616)
Unrestricted		1,361,504
Restricted		(11,283)
Total net position		95,605
Total liabilities and net position	\$	10,636,290

The accompanying notes are an integral part of these basic financial statements.

Sunshine Elementary Charter School, Inc.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	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	\$ 1,163,985	\$ -	\$ 117,249	\$ -	\$ (1,046,736)
Pupil personnel services	48,937	-	2,696	-	(46,241)
Instructional media services	-	-	-	-	-
Instruction and curriculum development services	60,563	-	60,563	-	-
Instructional staff training	-	-	-	-	-
Instructional related technology	22,767	-	-	-	(22,767)
Board expenses	108,982	-	-	-	(108,982)
General	-	-	-	-	-
School administration	546,205	-	-	-	(546,205)
Facilities acquisition & construction	159,375	-	-	4,846	(154,529)
Fiscal services	74,250	-	-	-	(74,250)
Food services	213,745	-	216,229	-	2,484
Pupil transportation	46,121	-	-	-	(46,121)
Operation of plant	315,262	-	6,485	-	(308,777)
Maintenance of plant	20,226	-	-	-	(20,226)
Community services	29,587	-	-	-	(29,587)
Debt service	476,923	-	-	166,776	(310,147)
Total governmental activities	\$ <u>3,286,928</u>	\$ <u>-</u>	\$ <u>403,222</u>	\$ <u>171,622</u>	<u>(2,712,084)</u>

General Revenues	
State through local school district	1,922,242
Investment earnings	39
Miscellaneous revenues	620,634
Total General Revenues	<u>2,542,915</u>
Change in net position	(169,169)
Net position, July 1, 2021	<u>264,774</u>
Net position, June 30, 2022	<u>\$ 95,605</u>

The accompanying notes are an integral part of these basic financial statements.

Sunshine Elementary Charter School, Inc.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

Balance Sheet - Governmental Funds
June 30, 2022

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS					
Cash	\$ 1,036,783	\$ -	\$ -	\$ -	\$ 1,036,783
Due from funds	716,297	46,116	-	-	762,413
Prepaid expenses	3,750	-	2,500	-	6,250
Accounts receivable	-	-	-	-	-
Deferred outflows of resources	2,302,167	-	-	-	2,302,167
Due from other agencies	8,436	-	-	-	8,436
Restricted cash held by trustee	-	-	621,956	85,315	707,271
Total Assets	\$ 4,067,433	\$ 46,116	\$ 624,456	\$ 85,315	\$ 4,823,320
LIABILITIES					
Salaries and wages payable	\$ 135,072	\$ 1,947	\$ -	\$ -	\$ 137,019
Accounts payable	2,785	8,024	40,902	-	51,711
Deferred revenue	-	-	-	-	-
Due to funds	46,116	-	716,297	-	762,413
Deferred inflows of resources	2,246,956	-	-	-	2,246,956
Accrued administrative retirement	275,000	-	-	-	275,000
Total Liabilities	2,705,929	9,971	757,199	-	3,473,099
FUND BALANCES					
Nonspendable	3,750	-	2,500	-	6,250
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	36,145	(135,243)	85,315	(13,783)
Unassigned	1,357,754	-	-	-	1,357,754
Total Fund Balances	1,361,504	36,145	(132,743)	85,315	1,350,221
Total Liabilities and Fund Balances	\$ 4,067,433	\$ 46,116	\$ 624,456	\$ 85,315	\$ 4,823,320

The accompanying notes are an integral part of these basic financial statements.

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2022**

Fund Balance - Governmental Funds	\$	1,350,221
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$	7,184,993	
Less accumulated depreciation		<u>(609,609)</u>	6,575,384

Loan proceeds are reported as financing sources in the general fund and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing a loan increases long-term liabilities and does not affect the Statement of Activities.

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Debt proceeds are reported as financing sources in the capital projects fund and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing bond debt increases long-term liabilities and does not affect the Statement of Activities.

(7,830,000)

Net Position of Governmental Activities	\$	<u><u>95,605</u></u>
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The accompanying notes are an integral part of these basic financial statements.

Sunshine Elementary Charter School, Inc.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES					
Federal passed through local school district	\$ -	\$ 399,136	\$ -	\$ -	\$ 399,136
State passed through local school district	2,093,864	4,086	-	-	2,097,950
Interest income	-	-	35	4	39
Other revenue	620,634	-	-	-	620,634
TOTAL REVENUES	2,714,498	403,222	35	4	3,117,759
EXPENDITURES/EXPENSES					
Instruction	1,041,386	117,249	-	-	1,158,635
Pupil personnel services	46,241	2,696	-	-	48,937
Instructional media services	-	-	-	-	-
Instruction and curriculum development services	-	60,563	-	-	60,563
Instructional staff training	-	-	-	-	-
Instructional related technology	22,767	-	-	-	22,767
Board expenses	108,982	-	-	-	108,982
General	-	-	-	-	-
School administration	545,277	-	-	-	545,277
Facilities acquisition & construction	(5,629)	-	-	26,029	20,400
Fiscal services	74,250	-	-	-	74,250
Food services	-	216,229	-	-	216,229
Pupil transportation	46,121	-	-	-	46,121
Operation of plant	307,871	6,485	-	-	314,356
Maintenance of plant	20,226	-	-	-	20,226
Community services	29,587	-	-	-	29,587
Debt service:					
Repayment of principal	-	-	18,333	-	18,333
Bond fees	-	-	24,698	-	24,698
Interest	-	-	452,225	-	452,225
Total expenditures	2,237,079	403,222	495,256	26,029	3,161,586
Excess (deficit) of revenues over expenses	477,419	-	(495,221)	(26,025)	(43,827)
Other Financing Sources					
Forgiveness of Paycheck Protection Program loan	(334,700)	-	-	-	(334,700)
Transfers in	366,826	36,145	524,756	30,001	957,728
Transfers (out)	(590,902)	-	(366,826)	-	(957,728)
Total Other Financing Sources	(58,776)	36,145	157,930	30,001	(334,700)
Net Change in Fund Balance	(81,357)	36,145	(337,291)	3,976	(378,527)
Fund balances, July 1, 2021	1,442,861	-	204,548	81,339	1,728,748
Fund balances, June 30, 2022	\$ 1,361,504	\$ 36,145	\$ (132,743)	\$ 85,315	\$ 1,350,221

The accompanying notes are an integral part of these basic financial statements.

**Sunshine Elementary Charter School, Inc.
A Charter School and Component Unit of the
District School Board of Broward County, Florida**

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2022**

Net Change in fund balances - governmental funds	\$	(378,527)
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$	17,580	
Less current year depreciation		<u>(161,255)</u>	
			(143,675)

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of the differences in the treatment of long-term debt and related items decreased net position. For the year ended June 30, 2022, these consist of:

PPP loan forgiveness		334,700	
Repayment of long-term debt		<u>18,333</u>	
Change in Net Position of Governmental Activities	\$		<u><u>(169,169)</u></u>

The accompanying notes are an integral part of these basic financial statements.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

Sunshine Elementary Charter School, Inc. (“SECSS”) operates as a Charter School pursuant to a Charter School Contract (“the Contract”) with the District School Board of Broward County, Florida (“the District”). Under the Contract, SECS provides an elementary school education to children who reside in Broward County. The governing body of SECS is the Board of Directors.

The general operating authority of SECS is under Florida Statutes 228.056(7) as a Charter School Contract with the District School Board of Broward County, Florida. Under the Charter, SECS provides education to children from kindergarten through the fifth grade in Broward County. The Contract was extended again for an additional five year term and is now effective through June 30, 2026.

Criteria for determining if other entities are potential component units which should be reported within SECS’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 provide for identification of any entities for which SECS is financially accountable and other organizations for which the nature and significance of their relationship with SECS are such that exclusion would cause SECS’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of SECS. SECS is a component unit of the District.

Recent Accounting Pronouncements

SEC has adopted guidance issued by the GASB that established fund balance classifications that comprise a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This guidance improves the usefulness of fund balance information by clarifying the definitions of existing governmental fund types and providing additional classifications of fund balance.

In June 2017, the GASB issued Statement of the Governmental Accounting Standards Board (GASB) No. 87 - Leases. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. SEC adopted this Statement for the year ended June 30, 2022. The adoption did not result in any changes to previously reported amounts of net position or fund balances. See Notes E and I for additional information on the effects of the implementation of this pronouncement.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of SECS. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as SECS does not engage in any business type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net position, is subdivided into three categories: amounts invested in capital assets, restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs SECS 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.

GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and it establishes the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

- Nonspendable fund balance - includes amounts that are not in a spendable form or are required to be maintained intact and that are not expected to be converted to cash.
- Restricted fund balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- Committed fund balance - includes amounts that can be used only for the specific purposes determined by a formal action of SECS's highest level of decision-making authority. Commitments may be changed or lifted only by SECS taking the same formal action that imposed the constraint originally.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-Wide and Fund Financial Statements (continued)

- Assigned fund balance - comprises amounts intended to be used by SECS for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- Unassigned fund balance - the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

Separate fund financial statements report detailed information about SECS's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of SECS's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government - wide presentation.

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, considered to be sixty days. 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 is recorded as expenditures only when payment is due.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

SECS'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.

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. SECS reports the following major governmental funds:

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

Special Revenue Fund – to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes such as Title I, IDEA funds and the National Federal Lunch Program.

Debt Service Fund – to account for the proceeds and servicing of debt sources that are legally restricted to expenditures for loan agreement related to the bond issuance.

Capital Projects Fund - to account for the proceeds Capital Outlay and other revenues that are legally restricted to expenditures for capital projects.

SECS has a revenue spending policy that provides policy for programs with multiple revenue sources. The board of directors 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 board of directors has the authority to deviate from this policy if it is in the best interest of the school.

4. Budgetary Basis Of Accounting

SECS's annual budgets are adopted for the entire operations of SECS and may be amended by the Board of Directors (the "Board"). Since the budgetary basis differs from generally accepted accounting principles ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation of revenues over expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Cash

Cash is made up of cash on hand at SECS and/or checking accounts held at a financial institution.

6. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by SECS as assets with an initial individual cost of more than \$750 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. For the year ended June 30, 2022, SECS recorded net capital assets of \$6,575,384. Property, plant and equipment of SECS are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Building	35
Improvements other than building	20
Computer equipment	3
Furniture, fixture and equipment	6-7

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

7. Revenue Sources

Revenues for current operations are received primarily from the State of Florida passed through the District to SECS pursuant to the funding provisions included in SECS’s charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, SECS reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDE) for funding through the Florida Education Finance Program (FEFP). Funding for SECS is adjusted during the year to reflect revised calculations by the FDE under the FEFP and actual weighted FTE students reported by SECS during designated FTE student survey periods.

SECS 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 expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. 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 estimated amounts.

9. Income Taxes

SECS is a non-profit organization and is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

SECS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. SECS's federal income tax returns for 2019-2021 remain subject to examination by major tax jurisdictions.

NOTE B – CONCENTRATIONS

1. Revenue Sources

As stated in Note A-7, SECS receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
State funding through local district	\$ 2,097,950
Federal passed through local district	399,136
Other	<u>620,634</u>
	<u>\$ 3,117,759</u>

2. Cash

Under Chapter 280, Florida Statutes, SECS's deposits must be placed in banks and savings and loans which are qualified as public depositories. SECS maintains cash deposits at a bank in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging Securities with the State Treasurer and collateral pool. As of June 30, 2022 uninsured deposit balance totaled approximately \$785,000.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE C – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022 was as follows:

	Balance at June 30, 2021	Additions	Adjustments and Deletions	Balance at June 30, 2022
Capital assets depreciated:				
Building	\$ 3,603,311	\$ -	\$ -	\$ 3,603,311
Improvements & equipment	500,935	13,400	-	514,335
Furniture, fixtures & equipment	<u>183,186</u>	<u>4,181</u>	<u>-</u>	<u>187,367</u>
Total assets depreciated	<u>\$ 4,287,432</u>	<u>\$ 17,581</u>	<u>\$ -</u>	<u>\$ 4,305,013</u>
Capital assets not being depreciated				
Land	<u>\$ 2,879,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,879,980</u>
Total assets not depreciated	<u>\$ 2,879,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,879,980</u>
Total capital assets	<u>\$ 7,167,412</u>	<u>\$ 17,581</u>	<u>\$ -</u>	<u>\$ 7,184,993</u>
Less Accumulated depreciation				
Building	\$ 223,063	\$ 102,952	\$ -	\$ 326,015
Improvements & equipment	66,430	50,327	-	116,757
Furniture, fixtures & equipment	<u>158,861</u>	<u>7,976</u>	<u>-</u>	<u>166,837</u>
Total assets depreciated	<u>\$ 448,354</u>	<u>\$ 161,255</u>	<u>\$ -</u>	<u>\$ 609,609</u>
Total governmental activities				
Capital assets, net				<u>\$ 6,575,384</u>

Depreciation expense of \$161,255 was charged between the instruction, food services, administration, facilities and acquisition and plant operation functions for the year ended June 30, 2022.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE D – RELATED PARTY

SEC shares a facility with another charter school, Paragon Academy of Technology, Inc. (“PAT”). Effective May 1, 2019, PAT entered into a lease agreement with SECS to rent a portion of the facility that SECS purchased through the bond issuance. The schools also share certain administrative and maintenance employees, costs to operate the facility and SECS administers the National School Lunch Program for PAT. At June 30, 2022, the total amount owed by SEC to PAT for reimbursement of shared costs was \$8,436.

NOTE E – DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources is a result of implementing GASB 87 at the beginning of the year. SEC recorded a Deferred Outflows of Resources due from Paragon Academy of Technology, Inc. (PAT) - a related party. SEC has a lease from PAT that is for a term of 32 years, starting on July 1, 2021, which is further described in Note G. The Deferred Outflows of Resources amounted to \$2,302,166 at June 30, 2022.

The following table summarizes SEC’s future Deferred Outflows of Resources as of June 30, 2022:

Years Ended <u>6/30</u>	Cash <u>Inflows</u>	<u>Principle</u>	<u>Interest</u>
2023	144,542	6,586	137,956
2024	147,112	9,631	137,481
2025	150,870	14,088	136,782
2026	154,233	18,418	135,815
2027	156,083	21,453	134,630
2028 - 2032	831,357	186,878	644,479
2033 - 2037	841,496	265,165	576,331
2038 - 2042	838,076	353,615	484,461
2043 - 2047	838,099	476,955	361,144
2048 - 2052	840,305	645,993	194,312
2053 - 2057	<u>321,930</u>	<u>303,384</u>	<u>18,546</u>
Totals	<u>5,264,103</u>	<u>2,302,166</u>	<u>2,961,937</u>

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE F – ACCRUED ADMINISTRATIVE RETIRMENT

The Board of Directors voted to create an Administrative Retirement Package for its Principal and Vice Principal who have over 10 or more years of service with SEC. The Board agreed to set aside this retirement liability over a two year period. The amount of \$275,000 has been accrued at June 30, 2022.

NOTE G – BONDS PAYABLE

On May 1, 2019, Capital Trust Agency issued Educational Facilities Revenue Bonds (Paragon Academy of Technology and Sunshine Elementary Charter School Project) Series 2019A in the aggregate principal amount of \$7,470,000 (the “Series 2019A Bonds”) and its Taxable Educational Facilities Revenue Bonds (Paragon Academy of Technology and Sunshine Elementary Charter School Project) Series 2019B, in the aggregate principal amount of \$390,000 (the “Series 2019B Bonds” and together with the Series 2019A Bonds, the “Series 2019 Bonds”) pursuant to the terms of an Indenture of Trust (the “Indenture”), by and between SECS and Capital Trust Agency and US Bank Trust, as trustee (the “Trustee”) as financing for the purchase of land, building and future improvements. The Series 2019A and 2019B bonds were issued with an underwriter’s discount totaling \$196,500 and that amount was recorded as an expense in the financial statements as part of the debt issuance costs for the year ended June 30, 2019. SECS accounts for each monthly payment made to the trustee as a reduction to the principal, so at June 30, 2022, the total bonds payable were \$7,830,000.

The project fund was created as a result of the bond issuance to repair sidewalks and install sewers at the property. The majority of those improvements were made during the year ended June 30, 2021. The project fund had a balance of \$-0- at June 30, 2022. In addition, a reserve fund was created as result of the bond issuance and as of June 30, 2022, it maintained the required balance of \$561,688. In September 2019, a repair and replacement account was created as required by loan agreement to comply with the Capital Assessment Plan. The repair and replacement fund gets funded \$2,500 per month until June 30, 2024 when the balance reaches \$150,000. At that time, SECS will be required to submit a Capital Assessment Plan prepared by a qualified professional with respect to the facilities detailing a five year comprehensive plan for the facilities. At June 30, 2022, this account had a balance of \$85,315. All bond funds are recorded as restricted in the accompanying financial statements.

SECS entered into a lease agreement with PAT that matures on June 1, 2054, the same date as the maturity of the bond. The lease payments will be applied towards the monthly principal and interest payments owed for the bond payments and PAT is required to maintain certain financial covenants to ensure they meet their obligations.

SECS is required to maintain certain financial covenants that began the fiscal year ended June 30, 2020. In addition, there are additional administrative covenants that SECS must follow to remain

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE G – BONDS PAYABLE (continued)

in compliance with the indenture. SECS has complied with the financial covenants that were required to be presented to the trustee during the fiscal year ended June 30, 2022.

The Series 2019B bonds shall be dated as of their date of original issuance, and shall mature on June 1, 2028, and bear interest payable semiannually on June 1st and December 1st of each year, commencing as of December 1, 2019, at the interest rate per annum of 6%. The principal payments which are required as set forth below:

<u>Payment Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Payment Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>
2023	30,000	2026	\$ 70,000
2024	40,000	2027	80,000
2025	50,000	2028 *	85,000

*Stated maturity

2019A bond bears interest payable each June 1st and December 1st, commencing December 1, 2019, with an interest rate of 5.75%. The Series 2019A Bonds maturing on June 1, 2054, are subject to principal payments beginning June 1, 2028, and on June 1st each year thereafter until and including June 1, 2054, at 100% of the principal amount thereof, plus accrued interest to the redemption date, from mandatory payments which are required as set forth below:

<u>Payment Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Payment Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>
2028	\$ 10,000	2043	\$285,000
2029	130,000	2044	300,000
2030	140,000	2045	320,000
2031	145,000	2046	340,000
2032	155,000	2047	355,000
2033	165,000	2048	380,000
2034	175,000	2049	400,000
2035	185,000	2050	425,000
2036	195,000	2051	445,000
2037	205,000	2052	475,000
2038	215,000	2053	500,000
2039	230,000	2054 *	530,000
2040	240,000		
2041	255,000	*Stated maturity	
2042	270,000		

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE G – BONDS PAYABLE (continued)

SECS is required to make monthly payments of \$42,885 on the 15th of each month to satisfy the above principal and interest payments for both the Series 2019A and 2019B bond obligations, trustee and other miscellaneous fees. The Trustee is authorized to withdraw these amounts from the school's operating account for SECS to be in compliance with the bond obligations.

Following are maturities of long-term debt for each of the next five years and thereafter:

June 30,	
2023	\$ 30,000
2024	40,000
2025	55,000
2026	70,000
2027	80,000
Thereafter	<u>7,555,000</u>
Total	<u>\$ 7,830,000</u>

NOTE H – NONCURRENT LIABILITIES

On March 18, 2021, SECS received a Paycheck Protection Program (PPP) loan in the amount of \$334,700. On July 28, 2021, SECS received notification from the SBA that the PPP loan was forgiven in full and is reflected in the statement of activities as revenue under general revenues.

NOTE I – DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources is as a result of implementing GASB 87, whereby SEC recorded a deferred inflows of resources in the amount of \$2,317,357 at the beginning of the year. In accordance with this new standard, SEC is recording \$70,401 per year as an inflow of resources over the next 32 year, which is the duration of the remaining lease with PAT as described in Note G. This amount was reported in miscellaneous revenues. The Deferred Inflows of Resources at June 30, 2022 amounted to \$2,246,956.

NOTE J – RISK MANAGEMENT

SECS is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. SECS purchases commercial insurance for all material risks of loss to which SECS is exposed, including general liability, property and workers compensation.

SECS did not have any settlements that exceeded insurance coverage for the years ended June 30, 2020 – 2022.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE K – COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States (U.S.). On March 11, 2021, the World Health Organization characterized COVID-19 as a pandemic, and multiple jurisdictions in the U.S. have declared states of emergency. The impact of the pandemic on the U.S. economy during 2021 was severe and is expected to continue for some time.

Management continues to evaluate and monitor the potential adverse effect that this event may have on SEC's financial position, operations and cash flows. The full impact of COVID-19 is unknown at this time and cannot be reasonably estimated as these events are still developing.

NOTE L – SUBSEQUENT EVENTS AND DATE OF MANAGEMENT'S REVIEW

In February 2022, the Russian Federation launched a full-scale invasion against Ukraine, and sustained conflict and disruption in the region is ongoing. The effect on SEC at this time is unknown as the situation is still evolving.

Management has evaluated subsequent events through October 10, 2022, which is the date the financial statements became available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

Sunshine Elementary Charter School, Inc.
A Charter School and Component Unit of the
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Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2022
(Unaudited)

	Original Budget	Final Budget	General Fund	Variance with Final Budget - Positive (Negative)
Revenues				
Federal passed through local school district	\$ -	\$ -	\$ -	\$ -
State passed through local school district	2,509,320	2,540,484	2,093,864	446,620
Interest income	43	43	-	43
Other revenue	230,962	206,962	620,634	(413,672)
Total revenues	2,740,325	2,747,489	2,714,498	32,991
Expenses				
Instruction	1,169,826	1,169,827	1,041,386	128,441
Pupil personnel services	61,644	61,644	46,241	15,403
Instructional media services	269	269	-	269
Instruction and curriculum development services	17,120	17,120	-	17,120
Instructional staff training	982	982	-	982
Instructional related technology	9,307	9,307	22,767	(13,460)
Board expenses	22,377	22,377	108,982	(86,605)
General	-	91,325	-	91,325
School administration	368,760	277,436	545,277	(267,841)
Facilities acquisition & construction	10,000	10,000	(5,629)	15,629
Fiscal services	79,782	79,782	74,250	5,532
Pupil transportation	72,841	72,841	46,121	26,720
Operation of plant	274,598	274,598	307,871	(33,273)
Maintenance of plant	22,030	22,030	20,226	1,804
Community services	29,525	29,525	29,587	(62)
Debt service	-	497,623	-	497,623
Total expenses	2,139,061	2,636,686	2,237,079	399,607
Revenues over Expenditures	601,264	110,803	477,419	(366,616)
Other Financing Sources				
Forgiveness of Paycheck Protection Program loan	-	-	(334,700)	334,700
Transfers in	-	-	366,826	(366,826)
Transfers out	(211,736)	-	(590,902)	590,902
Total Other Financing Sources	(211,736)	-	(558,776)	558,776
Net Change in Fund Balance	389,528	110,803	(81,357)	(192,160)
Fund Balance, July 1, 2021	1,442,861	\$ 2,063,447	\$ 1,442,861	(620,586)
Fund Balance, June 30, 2022	\$ 1,832,389	\$ 2,174,250	\$ 1,361,504	\$ (428,426)

The accompanying notes are an integral part of these basic financial statements.

Sunshine Elementary Charter School, Inc.
A Charter School and Component Unit of the
District School Board of Broward County, Florida

Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
Special Revenue Fund
For the Year Ended June 30, 2022
(Unaudited)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Federal passed through local school district	\$ 964,570	\$ 957,406	\$ 399,136	\$ 558,270
State passed through local school district	-	-	4,086	(4,086)
Interest income	-	-	-	-
Other revenue	-	-	-	-
	<u>964,570</u>	<u>957,406</u>	<u>403,222</u>	<u>554,184</u>
Expenses				
Instruction	122,194	122,194	117,249	4,945
Pupil personnel services	2,077	2,077	2,696	(619)
Instructional media services	-	-	-	-
Instruction and curriculum development services	60,086	60,086	60,563	(477)
Instructional staff training	-	-	-	-
Instructional related technology	-	-	-	-
Board expenses	-	-	-	-
School administration	-	-	-	-
Facilities acquisition & construction	-	-	-	-
Fiscal services	-	-	-	-
Food services	394,712	394,712	216,229	178,483
Pupil transportation	-	-	-	-
Operation of plant	-	-	6,485	(6,485)
Maintenance of plant	-	-	-	-
Community services	-	-	-	-
	<u>579,069</u>	<u>579,069</u>	<u>403,222</u>	<u>175,847</u>
Revenues over Expenditures	385,501	378,337	-	378,337
Other Financing Sources				
Transfers in	-	-	36,145	(36,145)
Transfers out	-	-	-	-
Total Other Financing Sources	-	-	36,145	(36,145)
Fund Balance, July 1, 2021	<u>(334,700)</u>	<u>(334,700)</u>	<u>-</u>	<u>(334,700)</u>
Fund Balance, June 30, 2022	<u>\$ 50,801</u>	<u>\$ 43,637</u>	<u>\$ 36,145</u>	<u>\$ 7,492</u>

The accompanying notes are an integral part of these basic financial statements.



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Florida Institute of CPAs

Harrison Executive Centre
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**INDEPENDENT AUDITORS' 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 Members of Sunshine Elementary Charter School, Inc.
*A Charter School and Component Unit of the
District School Board of Broward County, Florida*
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 and major fund of the Sunshine Elementary Charter School, Inc., ("SECS", a nonprofit organization), a charter school, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise SECS's basic financial statements and have issued our report thereon dated October 10, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SECS's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SECS's internal control. Accordingly, we do not express an opinion on the effectiveness of SECS'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 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.

Report on Compliance and Other Matters

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

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Infante's Company". The signature is written in a cursive, flowing style.

October 10, 2022
Hollywood, Florida



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**Management Letter as Required by the Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of Sunshine Elementary Charter School, Inc., Florida,
a Charter School and Component Unit of the District School Board
of Broward County, Florida

Report on the Financial Statements

We have audited the financial statements of the Sunshine Elementary Charter School, Inc., Florida, as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated October 10, 2022.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent 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 10, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Sunshine Elementary Charter School, Inc. and 5400.

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 Sunshine Elementary Charter School, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Sunshine Elementary Charter School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the Sunshine Elementary Charter School, Inc. It is management's responsibility to monitor the Sunshine Elementary Charter School, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

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

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 Sunshine Elementary Charter School, Inc. 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 Sunshine Elementary Charter School, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

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

A handwritten signature in blue ink that reads "Infante & Company". The signature is written in a cursive, flowing style.

Infante & Company
Hollywood, FL
October 10, 2022