

**ACADEMY FOR INNOVATIVE EDUCATION
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORTS THEREON**

JUNE 30, 2023

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Sotolongo & Associates, P.A.

Certified Public Accountants

Report of Independent Auditors on Basic Financial Statements and Required Supplementary Information

To the Board of Directors of
Academy for Innovative Education
Miami Springs, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Academy for Innovative Education (the "School"), a charter school sponsored by the School Board of Miami-Dade County, Florida and operated by Miami Dade Foundation for Educational Innovation, Inc., as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School'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, each major fund, and the aggregate remaining fund information of Academy for Innovative Education, as of June 30, 2023, 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

Change in Reporting Entity

As Described in Note 1 to the Financial Statements, as a result of a consolidation of two affiliated schools, the School is a new financial reporting entity for the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

Basis for Opinions

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 the School 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 the School'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 judgment and maintain professional 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 the School'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School'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 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 4–10 and 32–33 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 10, 2023, on our consideration of Academy for Innovative Education'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 the Academy for Innovative Education'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 Academy for Innovative Education's internal control over financial reporting and compliance.

Sotolongo & Associates, P.A.

Miami, Florida
September 10, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Academy for Innovative Education (the "School") presents Management's Discussion and Analysis, which is intended to provide an overview of the School's financial position and changes in financial position for the fiscal year ended June 30, 2023.

Since the focus of the Management's Discussion and Analysis (MD&A) is on the current year activities, resulting changes and currently known facts, it should be read in conjunction with the School's financial statements, including the accompanying notes.

CONSOLIDATION OF SCHOOLS

For the year ended June 30, 2023, the School is a new financial reporting entity, as effective for July 1, 2022, the School Board of Miami-Dade County approved the consolidation of two affiliated schools, 1) Academy for International Education Charter School and 2) the Academy for International Education Upper Charter School for Science and Technology. As a result of the consolidation, the two affiliated schools became one school and its name is Academy for Innovative Education.

FINANCIAL HIGHLIGHTS

The following are among the major financial highlights:

- At June 30, 2023, the School had a net position of approximately \$4,477,000.
- At June 30, 2023, the School had current assets of approximately \$5,717,000.
- For the year ended June 30, 2023, the School's revenues exceeded expenses by \$1,478,933.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements and the notes thereto, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

This document also includes the independent auditors' report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities, The Florida Virtual School, and Virtual Instruction Program Providers*.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire school not including fiduciary	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net position and statement of activities	Balance sheet and statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position is an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no major business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School uses or may use the following types of funds:

- *General Fund* – is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- *Special Revenue Funds* – account for specific revenue, such as federal grants, that is legally restricted to expenditures for particular purposes.
- *Capital Projects Fund* – accounts for the financial resources accumulated that are restricted for capital outlays.
- *Debt Service Fund* – accounts for accumulation of resources for, and the payment of, general long-term debt.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The following table provides the School's net position as of June 30, 2023 and 2022:

	Governmental Activities		Amount Increase (Decrease)
	2023	2022	
Current and other assets	\$ 5,717,343	\$ 3,103,602	\$ 2,613,741
Capital assets, net	2,869,241	2,666,087	203,154
Total assets	<u>8,586,584</u>	<u>5,769,689</u>	<u>2,816,895</u>
Salaries payable and other accrued expenses	351,839	343,790	8,049
Noncurrent liabilities - due within one year	372,130	160,721	211,409
Noncurrent liabilities - due in more than one year	3,385,516	2,267,012	1,118,504
Total liabilities	<u>4,109,485</u>	<u>2,771,523</u>	<u>1,337,962</u>
Net position			
Net investment in capital assets	2,869,241	2,551,278	317,963
Restricted	128,313	-	128,313
Unrestricted	1,479,545	446,888	1,032,657
Total net position	<u>\$ 4,477,099</u>	<u>\$ 2,998,166</u>	<u>\$ 1,478,933</u>

The amounts shown above as of June 30, 2022, are the consolidated amounts shown for the two affiliated schools mentioned above.

Current and other assets of the School, primarily consisting of cash and cash equivalents, increased as a result of the School obtaining a bank loan and an increase in the change in net assets. The increase in salaries payable and other accrued expenses is because there were more accrued payroll and other expenses as of June 30, 2023. The increase in noncurrent liabilities is a result of obtaining a bank loan. The change in total net position was due to the current year increase in net position.

Change in Net Position

The following table compares the changes in the School's net position from its activities for the fiscal years ended June 30, 2023 and 2022:

	Governmental Activities		Amount
	2023	2022	Increase (Decrease)
Revenues:			
Federal through state - grants	\$ 2,880,755	\$ 1,089,451	\$ 1,791,304
State sources	7,356,928	6,342,912	1,014,016
Contributions and other revenue	381,917	356,611	25,306
Local source	915,723	-	915,723
Total revenues	11,535,323	7,788,974	3,746,349
Expenses:			
Instruction	5,410,740	4,399,067	1,011,673
Student support services	580,485	550,476	30,009
Instruction-related technology	39,500	44,113	(4,613)
Professional development	16,515	41,180	(24,665)
Board	98,704	99,565	(861)
General administration	328,221	537,377	(209,156)
School administration	1,765,819	1,239,382	526,437
Facilities acquisition and construction	2,000	-	2,000
Fiscal services	20,163	37,066	(16,903)
Central services	63,860	46,807	17,053
Pupil transportation	40,284	15,090	25,194
Operation of plant	1,428,748	1,181,300	247,448
Community services	114,183	86,351	27,832
Interest expense	76,792	40,653	36,139
Debt issuance costs	70,376	-	70,376
Total expenses	10,056,390	8,318,427	1,737,963
			-
Change in net position	\$ 1,478,933	\$ (529,453)	\$ 2,008,386

The amounts shown above for the year ended June 30, 2022, are the consolidated amounts shown for the two affiliated schools mentioned above.

Revenues increased primarily as a result of receiving more federal grants and additional local source revenue for the fiscal year ended June 30, 2023. Expenditures increased primarily as a result of additional payroll and other expenditures incurred related to instruction, school administration, and operation of plant.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial information is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances.

As the School completed the fiscal year, its governmental funds reported a combined fund balance of \$5,365,504. Both revenues and expenditures increased overall for the same reasons described above for the governmental activities. In addition, expenditures increased as capital outlay expenditures mentioned below were more than those of the year ended June 30, 2022.

Budgetary Highlights

Budget amendments, if necessary, generally fall into three categories:

- Changes made to account for changes in student enrollment.
- Increases in appropriations to prevent certain budget overruns.
- Increases in grant revenue.

As shown in the accompanying budgetary comparison schedule – general fund, for the year ended June 30, 2023, actual general fund revenues were approximately \$3,002,000 below the final budgeted amounts. Actual general fund expenditures were approximately \$3,512,000 below the final budgeted amounts. For the year ended June 30, 2023, revenue was below the budgeted amounts as the budget included revenue for certain grants that were accounted for in special revenue funds. In addition, instruction expenditures were lower than the budget as certain instruction expenditures were also accounted for in special revenue funds. Capital outlay expenditures functions are included in the current expenditure functions for the budget and are reported separately in the capital outlay function for financial reporting purposes. The School obtained a bank loan during the year, which was not included in the budget. The notes to the budgetary comparison schedule also include a budgetary comparison schedule for all of the governmental funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the School had \$2,869,241 in capital assets, net of accumulated depreciation and amortization. During the year ended June 30, 2023, the school invested \$886,714 for capital assets, including construction in progress. The construction in progress is for additional classrooms. There were no capital asset disposals in the current year. More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

Noncurrent Liabilities

As of June 30, 2023, the School had \$3,757,646 of noncurrent liabilities outstanding. During the year ended June 30, 2023, the School had an increase in noncurrent liabilities primarily as a result of obtaining a bank loan. More detailed information about the School's noncurrent liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS

As a charter school, the School receives most of its funding from FEFP, which are primarily State funds. The State of Florida, by constitution, does not have a state personal income tax; therefore, the state operates primarily using sales, gasoline and corporate income taxes.

NEXT YEAR'S BUDGET

For the 2023-2024 school year, the original budget shows the combined governmental funds revenue to be \$11,662,503. Budgeted combined governmental fund expenditures are expected to be \$11,519,894. If the estimates for the budget are realized, the School's combined governmental fund balances are expected to increase for the year ending June 30, 2024.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 1080 La Baron Drive, Miami Springs, FL 33166.

**ACADEMY FOR INNOVATIVE EDUCATION
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

STATEMENT OF NET POSITION

JUNE 30, 2023

		Governmental Activities
ASSETS		
Cash and cash equivalents		\$ 4,491,434
Investments in Treasury Bills		1,016,518
Prepaid expenses and inventory		14,576
Grants and other receivables		194,815
Capital Assets:		
Right-to-use asset - leased modulars	\$ 203,860	
Leasehold improvements	2,225,384	
Furniture and equipment	2,228,148	
Construction in progress	441,083	
Total capital assets	5,098,475	
Less accumulated depreciation and amortization	(2,229,234)	
Total capital assets, net		2,869,241
Total assets		\$ 8,586,584
LIABILITIES		
Salaries payable and other accrued expenses		\$ 351,839
Noncurrent liability:		
Due within one year:		
Payable to The School Board of Miami-Dade County, Florida		69,190
Lease liability		23,278
EIDL Loan		8,507
Bank loan		271,155
Due in more than one year:		
Payable to The School Board of Miami-Dade County, Florida		138,380
EIDL Loan		2,083,652
Bank loan		1,163,484
Total liabilities		4,109,485
NET POSITION		
Net investment in capital assets		2,869,241
Restricted		128,313
Unrestricted		1,479,545
Total net position		4,477,099
Total liabilities and net position		\$ 8,586,584

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

**ACADEMY FOR INNOVATIVE EDUCATION
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Revenues				Net (Expense) Revenue and Changes in Net position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction	\$ 5,410,740	\$ 37,911	\$ 2,569,034	\$ -	\$ (2,803,795)	\$ (2,803,795)
Student support services	580,485	-	306,857	-	(273,628)	(273,628)
Instruction-related technology	39,500	-	23,839	-	(15,661)	(15,661)
Professional development	16,515	-	-	-	(16,515)	(16,515)
Board	98,704	-	-	-	(98,704)	(98,704)
General administration	328,221	-	-	-	(328,221)	(328,221)
School administration	1,765,819	-	-	-	(1,765,819)	(1,765,819)
Facilities acquisition and construction	2,000	-	-	-	(2,000)	(2,000)
Fiscal services	20,163	-	-	-	(20,163)	(20,163)
Central services	63,860	-	-	-	(63,860)	(63,860)
Pupil transportation	40,284	-	-	-	(40,284)	(40,284)
Operation of plant	1,428,748	-	-	-	(1,428,748)	(1,428,748)
Community services	114,183	236,135	-	-	121,952	121,952
Interest expense	76,792	-	-	-	(76,792)	(76,792)
Debt issuance costs	70,376	-	-	-	(70,376)	(70,376)
Total governmental activities	\$ 10,056,390	\$ 274,046	\$ 2,899,730	\$ -	(6,882,614)	(6,882,614)
			General revenues:			
			State sources		7,356,928	7,356,928
			Contributions and other revenue		88,896	88,896
			Local source		915,723	915,723
			Total general revenues		<u>8,361,547</u>	<u>8,361,547</u>
			Change in net position		1,478,933	1,478,933
			Net position at beginning of year		<u>2,998,166</u>	<u>2,998,166</u>
			Net position at end of year		<u>\$ 4,477,099</u>	<u>\$ 4,477,099</u>

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

**ACADEMY FOR INNOVATIVE EDUCATION
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2023

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 4,491,434
Investments in Treasury Bills	1,016,518
Prepaid expenses and inventory	14,576
Grants and other receivables	<u>194,815</u>
Total assets	<u><u>\$ 5,717,343</u></u>
LIABILITIES AND FUND BALANCE	
Salaries payable and other accrued expenses	<u>\$ 351,839</u>
Total liabilities	<u>351,839</u>
Fund balance:	
Nonspendable	14,576
Restricted	128,313
Unassigned	<u>5,222,615</u>
Total fund balance	<u>5,365,504</u>
Total liabilities and fund balance	<u><u>\$ 5,717,343</u></u>

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

**ACADEMY FOR INNOVATIVE EDUCATION
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

JUNE 30, 2023

Total fund balance – governmental fund \$ 5,365,504

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

The cost of capital assets is:	\$ 5,098,475	
Related accumulated depreciation and amortization is:	<u>(2,229,234)</u>	
Total capital assets, net		2,869,241

Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Those liabilities consist of:

Payable to The School Board of Miami-Dade County, Florida	(207,570)
Lease liability	(23,278)
EIDL Loan	(2,092,159)
Bank loan	<u>(1,434,639)</u>

Total net position – governmental activities \$ 4,477,099

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

**ACADEMY FOR INNOVATIVE EDUCATION
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Special Revenue Fund - Major	Special Revenue Funds - Nonmajor	Total Governmental Funds
REVENUES				
Federal through state - grants	\$ -	\$ 2,236,908	\$ 643,847	\$ 2,880,755
State sources	7,356,928	-	-	7,356,928
Contributions and other revenue	362,942	-	18,975	381,917
Local source	915,723	-	-	915,723
Total revenues	<u>8,635,593</u>	<u>2,236,908</u>	<u>662,822</u>	<u>11,535,323</u>
EXPENDITURES				
Current:				
Instruction	2,549,023	1,952,000	435,352	4,936,375
Student support services	273,629	72,537	234,319	580,485
Instruction-related technology	15,661	23,839	-	39,500
Professional development	16,515	-	-	16,515
Board	98,704	-	-	98,704
General administration	328,221	-	-	328,221
School administration	1,647,228	-	-	1,647,228
Facilities acquisition and construction	2,000	-	-	2,000
Fiscal services	20,163	-	-	20,163
Central services	63,860	-	-	63,860
Pupil transportation	40,284	-	-	40,284
Operation of plant	1,338,144	-	-	1,338,144
Community services	114,183	-	-	114,183
Debt service				
Interest expense	20,797	-	-	20,797
Retirement of principal	226,082	-	-	226,082
Debt issuance costs	70,376	-	-	70,376
Capital outlay	703,144	183,570	-	886,714
Total expenditures	<u>7,528,014</u>	<u>2,231,946</u>	<u>669,671</u>	<u>10,429,631</u>
Excess (deficiency) of revenues over (under) expenditures	1,107,579	4,962	(6,849)	1,105,692
Other financing sources				
Proceeds from bank loan	1,500,000	-	-	1,500,000
Transfers in	-	-	6,849	6,849
Transfers out	(1,887)	(4,962)	-	(6,849)
Total other financing sources	<u>1,498,113</u>	<u>(4,962)</u>	<u>6,849</u>	<u>1,500,000</u>
Net changes in fund balances	2,605,692	-	-	2,605,692
Fund balance at beginning of year	<u>2,759,812</u>	<u>-</u>	<u>-</u>	<u>2,759,812</u>
Fund balance at end of year	<u>\$ 5,365,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,365,504</u>

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

**ACADEMY FOR INNOVATIVE EDUCATION
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2023

Net changes in fund balances – total governmental funds **\$ 2,605,692**

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

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of capital acquisitions are allocated over their estimated useful lives and reported as depreciation and amortization expense.

The amount depreciation and amortization is less than capital outlays is calculated as follows:

	\$	886,714	
Capital outlays		886,714	
Depreciation and amortization		<u>(683,560)</u>	
			203,154

Repayments of noncurrent liabilities are reported as expenditures in the governmental funds because they require the use of current financial resources. They are reported as a reduction in noncurrent liabilities in the statement of net position. This amount represents the current year repayment of principal on noncurrent liabilities. 226,082

The issuance of noncurrent debt provides current financial resources to governmental funds. This amount represents the current year additions to noncurrent debt. (1,555,995)

Change in net position of governmental activities **\$ 1,478,933**

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

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE – 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Academy for Innovative Education (the "School") is operated by Miami-Dade Foundation for Educational Innovation, Inc. (MDFEI), 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 not-for-profit corporation Board of Directors, which is composed of no less than three and no more than nine members. The accompanying financial statements present the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2023, and the respective changes in financial position for the year then ended.

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 Miami-Dade County, Florida (the "School Board"). The current charter is effective until June 30, 2030, and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board 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 School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is sponsored by the School Board and is considered to be a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School follows generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the *GASB Codification of Governmental Accounting and Financial Reporting Standards*. 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.

Change in Reporting Entity

For the year ended June 30, 2023, the School is a new financial reporting entity, as effective for July 1, 2022, the School Board of Miami-Dade County approved the consolidation of two affiliated schools operated by MDFEI, 1) Academy for International Education Charter School and 2) the Academy for International Education Upper Charter School for Science and Technology. As a result of the consolidation, the two affiliated schools became one school and its name is Academy for Innovative Education.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

Basis of presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. These statements report all activities of the School and its component units, and do not include fiduciary funds. Any internal interfund activity has been eliminated from these financial statements. The statement of net position includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include capital grants specific to capital outlay, other grants, and charges to recipients for goods and services associated with programs. Other revenue sources not properly included with program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Capital Projects Fund – to account for the financial resources accumulated that are restricted for capital outlays. For the year ended June 30, 2023, no such activity occurred.
- Special Revenue Funds – to account for the proceeds of specific revenue sources restricted by law or administrative action to expenditure for specific purposes. The accompanying statement of revenues, expenditures, and changes in fund balances presents two columns for special revenue funds, one for the major special revenue fund and the other for the remaining nonmajor special revenue funds. The major special revenue fund is the American Rescue Plan – Elementary and Secondary Relief (ESSER III) Fund. The ESSER III program provides aid to K-12 schools to safely reopen and address the impact of COVID-19. In addition, the program contains additional provisions related to loss of learning in students.
- Debt Service Fund – to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs. For the year ended June 30, 2023, the School did not use a debt service fund.

For purposes of these statements, the general fund and the special revenue fund for the Esser III federal grant are considered major funds, and the remaining special revenue funds are considered nonmajor funds.

Basis of accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current year or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 90 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the statement of net position and balance sheet - governmental funds, and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

Budgetary basis accounting

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

Deposits and investments

The School maintains its cash accounts in financial institutions subject to insurance coverage issued by the Federal Deposit Insurance Corporation (the "FDIC"). Under FDIC rules, MDFEI is entitled to aggregate coverage of \$250,000. As of June 30, 2023, MDFEI had deposits with custodial credit risk exposure in excess of FDIC coverage totaling approximately \$4,020,000. The School has investments in U.S. Treasury Bills, which are not considered to be exposed to credit risk. The S&P rating of the U.S. Treasury Bills is A-1.

The School has not formally adopted an investment policy regarding custodial credit risk; however, Management of the School believes the stability and financial strength of the financial institution significantly reduces the custodial credit risk.

Interest Rate Risk

The School manages its exposure to declines in fair values by substantially limiting the weighted average maturity on all investments to one year or less and holding investments until maturity. The weighted average maturity for the U.S. Treasury Bills was less than six months.

Measurement

The School's U.S. Treasury Bills meet the necessary criteria and are reported at amortized cost, since they have maturities of one year or less. Accordingly, such investments are not measured at fair value. However, due to the investments' short-term maturity, amortized cost generally approximates fair value.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

Inventories

Inventories consist of expendable unused books and instructional materials held by the School, which are carried at cost using the first-in, first-out method and using the consumption method.

Capital assets, depreciation and amortization

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Capital assets reflected on the statement of net position are reported at cost, or at the acquisition value of the assets if received via a gift, and net of accumulated depreciation and amortization. For purposes of recording capital assets, the School has a capitalization threshold of \$1,000. Certain bulk capital asset purchases with individual assets that are less than \$1,000 may also be capitalized depending on materiality.

The School considers that capital assets are used primarily by the instructional and school administration function and has derived an allocation percentage of 80% and 20%, respectively, for such functions. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Leasehold improvements	4 – 11
Furniture, fixtures and equipment	4 – 10

The estimated useful life of leasehold improvements is the lesser of the asset's respective useful life or the remaining term of the lease.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

Income taxes

Miami-Dade Foundation for Educational Innovation, Inc. ("MDFEI") is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. MDFEI has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. MDFEI assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that MDFEI believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service ("IRS") or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the School's financial statements, as MDFEI believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same "more likely than not" measurement threshold.

Revenue sources

Revenues for current operations are received primarily from the School Board of Miami-Dade County, Florida pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education ("FDOE") by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the 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 FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives an administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. This administrative fee is calculated on the FEFP revenue up to 250 students. The administrative fee charged by the School Board during the year ended June 30, 2023, was approximately \$93,000.

Revenues received from the School Board of Miami-Dade County, Florida are recognized when considered earned, which is generally in the month the moneys are received.

The School may receive federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

Net Position and Fund Balance Classifications

Government-wide financial statements

Net position is classified and displayed in three components:

1. Net investment in capital assets – consists of capital assets net of accumulated depreciation and amortization and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
2. Restricted net position – consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. At June 30, 2023, The School had net position restricted for improvement of high-quality teachers and instructional personnel, and to increase school safety and security personnel. The restricted net position is expected to be expended during the year ending June 30, 2024.
3. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

Generally accepted accounting principles define the different types of fund balances that a governmental entity must use for financial reporting purposes. Fund balance amounts are to be properly reported within one of the fund balance categories listed below:

1. Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans, and notes receivable, and property held for sale (unless the proceeds are restricted committed or assigned). All nonspendable fund balances at year end relate to assets not in spendable form.
2. Restricted – fund balance associated with amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. At June 30, 2023, the School's restricted fund balance had the same restrictions as those of restricted net position.
3. Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. At June 30, 2023, the School did not have any committed fund balances.
4. Assigned – fund balance classification includes amounts intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. At June 30, 2023, the School did not have assigned fund balances.
5. Unassigned – fund balance classification is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

Fund balance spending policy

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, and then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the School's board of directors. There are no minimum fund balance requirements for any of the School's funds.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meet this criterion. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has no items that meet this criterion.

Interfund Activity

From time to time, the School may have interfund activity. This activity is eliminated in the government wide financial statements.

Recent accounting pronouncements

In June 2017, the GASB issued Statement of the Governmental Accounting Standards Board (GASBS) 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 School has adopted this statement.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

NOTE – 2 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Right-to-use asset - leased modulares	\$ 203,860	\$ -	\$ -	\$ 203,860
Leasehold improvements	1,940,943	284,441	-	2,225,384
Furniture and equipment	1,940,915	287,233	-	2,228,148
Construction in progress	126,043	315,040	-	441,083
Total capital assets	<u>4,211,761</u>	<u>886,714</u>	<u>-</u>	<u>5,098,475</u>
Less accumulated amortization for				
Right-to use asset - leased modulares	(90,604)	(90,604)	-	(181,208)
Less accumulated depreciation				
and amortization for other capital assets				
Leasehold improvements	(642,825)	(211,595)	-	(854,420)
Furniture and equipment	(812,245)	(381,361)	-	(1,193,606)
Total accumulated depreciation	<u>(1,545,674)</u>	<u>(683,560)</u>	<u>-</u>	<u>(2,229,234)</u>
Governmental activities				
capital assets, net	<u>\$ 2,666,087</u>	<u>\$ 203,154</u>	<u>\$ -</u>	<u>\$ 2,869,241</u>

At the end of the year, the School had construction in progress for planned additional classroom space.

Depreciation and amortization expense were charged to functions as follows:

Governmental activities:	
Instruction	\$ 474,365
School administration	118,591
Operation and maintenance of plant	90,604
Total depreciation and amortization	<u>\$ 683,560</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

NOTE – 3 NONCURRENT LIABILITIES

Activity pertaining to noncurrent liabilities for the year ended June 30, 2023, consisted of the following:

Due to Miami-Dade County School Board

In June 2021, the School Board agreed to allow for MDFEI to postpone the payment of the School Board's management fee for the year ended June 30, 2021. The amount due is to be paid in five annual installments of \$69,190, beginning in June 2022 through June 2026. The School Board may deduct amounts due from the July FEFP payments if they do not receive the required installment by the due date.

EIDL Loan

In November 2021, MDFEI obtained an Economic Injury Disaster Loan (EIDL) from the United States Small Business Administration (SBA) for \$2,000,000. The proceeds are to be used for working capital purposes pursuant to the EIDL loan agreement. Interest on the EIDL Loan accrues at the rate of 2.75% per annum, and installment payments, including principal and interest, are due monthly beginning thirty months from the date of the EIDL Loan. The balance of principal and interest is payable thirty years from the date of the promissory note. In connection with the EIDL loan, MDFEI provided a blanket security on substantially all of its assets. During the year ended June 30, 2023, the School accrued \$55,995 of interest on the EIDL loan, which was added to the principal balance due at end of year.

Bank Loan

In March 2023, the School obtained a bank loan for \$1,500,000. Interest on the loan is charged at an annual rate of 5.51%. The loan is collateralized by substantially all of the assets owned by MDFEI. Monthly payments for principal and interest of \$28,719 are due beginning in April 2023 and ending in March 2028, when the loan matures. The loan is scheduled to be paid in full at maturity.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

The following summarizes the activity for the noncurrent liabilities, including the lease liability, during the year ended June 30, 2023:

	Due to Miami-Dade County School Board	EIDL Loan	Lease Liability	Bank Loan	Total
Balance outstanding at beginning of year	\$ 276,760	\$ 2,036,164	\$ 114,809	\$ -	\$ 2,427,733
Additions	-	55,995	-	1,500,000	1,555,995
Reductions	(69,190)	-	(91,531)	(65,361)	(226,082)
Balance outstanding at end of year	<u>\$ 207,570</u>	<u>\$ 2,092,159</u>	<u>\$ 23,278</u>	<u>\$ 1,434,639</u>	<u>\$ 3,757,646</u>
Amount due within one year	<u>\$ 69,190</u>	<u>\$ 8,507</u>	<u>\$ 23,278</u>	<u>\$ 271,155</u>	<u>\$ 100,975</u>

The following table summarizes the School's future debt service as of June 30, 2023:

Year ending June 30,	Lease Liability Principal	Interest - Lease Liability	Other Debt Principal	Other Debt Interest
2024	\$ 23,278	\$ 107	\$ 348,852	\$ 83,055
2025	-	-	407,957	114,384
2026	-	-	425,846	96,495
2027	-	-	375,527	77,624
2028	-	-	308,846	58,131
2029-2033	-	-	306,053	236,550
2034-2038	-	-	351,110	191,492
2039-2043	-	-	402,801	139,801
2044-2048	-	-	462,102	80,501
2049-2051	-	-	345,274	16,463
	<u>\$ 23,278</u>	<u>\$ 107</u>	<u>\$ 3,734,368</u>	<u>\$ 1,094,496</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

NOTE – 4 STATE AND PROGRAM REVENUES

The following is a schedule of state revenue sources for the year ended June 30, 2023:

Florida Education Finance Program	\$ 5,934,053
Class Size Reduction	839,157
SAFE Schools	75,098
Mental Health Assistance	56,005
Teacher Salary Increase Allocation	246,968
Florida School Recognition Fund	159,953
Miscellaneous State Revenues	<u>45,694</u>
Total	<u><u>\$ 7,356,928</u></u>

The following is a schedule of program revenues which offset expenses reported on the statement of activities for the year ended June 30, 2023:

Program Revenues - Federal:	
Title I	\$ 580,573
Title III	6,372
ESSER II	56,902
ESSER III	<u>2,236,908</u>
Total	2,880,755
Program Revenues - Other	<u>18,975</u>
Total Program Revenues	<u><u>\$ 2,899,730</u></u>

These program revenues offset the given functions as they are directly connected with those respective functions. In addition, the School charged approximately \$236,000 for child care and other fees, which also offset their respective functions.

NOTE – 5 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property insurance coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settlement amounts have historically not exceeded insurance coverage. In addition, for the year ended June 30, 2023, there were no reductions in insurance coverage from those of the prior year.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

NOTE – 6 COMMITMENTS AND CONTINGENT LIABILITIES

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

Legal matters

In the normal course of conducting its operations, the School may become party to legal actions and proceedings. In the opinion of Management, the ultimate resolution of such legal matters, if any, will not have a significant adverse effect on the accompanying financial statements.

Lease commitments

MDFEI leases the School's facilities, inclusive of all classrooms, parking and ancillary spaces, located in Miami Springs, Florida from the School Board. The lease has been amended to extend the term through June 30, 2034. MDFEI's obligation under the lease is the proportionate share of the facility's operating expenses. Pursuant to the lease agreement, the amount of the operating expense is adjusted to the preceding year's reported actual cost per square foot for these services. For the year ended June 30, 2023, MDFEI's lease payment obligation was based on the base operating expenses for a recent period as calculated from time to time by the School Board.

The School's total expense related to MDFEI's lease with the School Board during the year ended June 30, 2023, was approximately \$236,000, and is included in the accompanying financial statements under the caption operation of plant.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

The following is a schedule of estimated future minimum lease payments for MDFEI as of June 30, 2023:

Year ending June 30,			
2024	\$	257,532	
2025		257,532	
2026		257,532	
2027		257,532	
2028		257,532	
2029-2033		1,287,660	
2034		257,532	
Total		<u>\$ 2,832,852</u>	

The above amounts reflected for the lease with the School Board are based on current calculated operating cost amounts based on square footage currently being occupied by MDFEI. Because the above-mentioned lease payments are considered to be variable, since they are determined using prior base operating expenses for a calculated period, a right-to-use asset and corresponding lease liability is not required to be recorded pursuant to GASBS 87.

The School has leases for modular classroom equipment. Some leases have lease terms expiring at various dates through September 2023, and the remaining are short-term leases on a month-to-month basis. For the year ended June 30, 2023, the total payments for the modular classroom equipment leases, which are not included in the measurement of the lease liability was approximately \$142,000 and is included in the accompanying financial statements under the caption operation and maintenance of plant. See Notes 2 and 3 for additional information regarding the right-to-use lease asset and liability, respectively.

NOTE – 7 MANAGEMENT AGREEMENT

The School has a management agreement (“Agreement”) with the School Board to provide management and administration services to the School. The Agreement is in effect through June 30, 2030. The management fee under the Agreement is derived based on the number of students attending during the school year. For the year ended June 30, 2023, management fees totaled approximately \$235,000 and are included in the accompanying financial statements under the caption of general administration expense/expenditure.

NOTE – 8 DEFINED CONTRIBUTION PLAN

The School's employees are eligible to participate in a 401(k) Profit Sharing Plan ("the Plan"), which was made available by the School's payroll provider. The Plan is considered a Defined Contribution Plan and is available to employees that meet certain eligibility criteria. The name of the Plan is Miami-Dade Foundation 401(k) Profit Sharing Plan & Trust. For the year ended June 30, 2023, the School did not contribute to the Plan.

**ACADEMY FOR INNOVATIVE EDUCATION
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 (Continued)

NOTE – 9 INTERFUND TRANSFERS

The following is a schedule of interfund transfers for the year ended June 30, 2023:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ (1,887)
Special Revenue Fund (Major Fund)	-	(4,962)
Special Revenue Funds (Nonmajor Funds)	6,849	-
Total	<u>\$ 6,849</u>	<u>\$ (6,849)</u>

The School transfers resources from the general fund to and from the special revenue funds generally at the beginning and end of year to close out such funds.

NOTE – 10 COVID-19

Management of the School is unable to determine the duration and extent of the financial impact that COVID-19 will have on the School, if any.

**ACADEMY FOR INNOVATIVE EDUCATION
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Original	Budgeted Final	GAAP Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Federal through state - grants	\$ 2,875,989	\$ 3,116,487	\$ -	\$ (3,116,487)
State sources	7,213,664	7,321,911	7,356,928	35,017
Local source, contributions and other rev.	307,917	1,199,105	1,278,665	79,560
Total revenues	<u>10,397,570</u>	<u>11,637,503</u>	<u>8,635,593</u>	<u>(3,001,910)</u>
EXPENDITURES				
Current:				
Instruction	4,474,389	5,914,404	2,549,023	3,365,381
Student support services	730,467	811,931	273,629	538,302
Instruction-related technology	41,500	74,500	15,661	58,839
Professional development	20,000	32,000	16,515	15,485
Board	106,500	106,500	98,704	7,796
General administration	328,451	328,451	328,221	230
School administration	1,243,761	1,397,767	1,647,228	(249,461)
Facilities acquisition and construction	378,000	378,000	2,000	376,000
Fiscal services	127,703	15,500	20,163	(4,663)
Central services	55,000	60,000	63,860	(3,860)
Pupil transportation	5,000	15,000	40,284	(25,284)
Operation of plant	921,037	1,781,801	1,338,144	443,657
Community services	131,856	124,577	114,183	10,394
Interest expense	-	-	20,797	(20,797)
Retirement of principal	-	-	226,082	(226,082)
Debt issuance costs	-	-	70,376	(70,376)
Capital outlay	-	-	703,144	(703,144)
Total expenditures	<u>8,563,664</u>	<u>11,040,431</u>	<u>7,528,014</u>	<u>3,512,417</u>
Excess of revenues over expenditures	1,833,906	597,072	1,107,579	510,507
Other financing sources				
Proceeds from bank loan	-	-	1,500,000	1,500,000
Transfers in	-	-	-	-
Transfers out	-	-	(1,887)	(1,887)
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,498,113</u>	<u>1,498,113</u>
Net changes in fund balance	<u>\$ 1,833,906</u>	<u>\$ 597,072</u>	<u>\$ 2,605,692</u>	<u>\$ 2,008,620</u>

See report of independent auditors and notes to budgetary comparison schedule.

**ACADEMY FOR INNOVATIVE EDUCATION
A CHARTER SCHOOL SPONSORED BY
THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)**

FOR THE YEAR ENDED JUNE 30, 2023

NOTES TO BUDGETARY COMPARISON SCHEDULE

The School's budgets presented in the accompanying budgetary comparison schedule are annually adopted and prepared using the modified accrual basis of accounting. Amendments to the School's budgets can only be made with the approval of the board of directors. For the budget, the School does not use a capital outlay function, instead, the School will budget capital outlay expenditures primarily using budgetary functions for instruction, instruction-related technology, and facilities acquisition and construction. Under generally accepted accounting principles in the United States of America (GAAP), actual capital outlay expenditures are to be reported separately from such functions, which may result in variances in the budgetary comparison schedule if such budgetary functions include capital outlay expenditures. In addition, the School combined all the special revenue funds (major and nonmajor) with the general fund for budgeting purposes. Below is a budgetary comparison schedule for all combined governmental funds:

	Budgeted Original	Budgeted Final	Total Governmental Funds GAAP Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Federal through state - grants	\$ 2,875,989	\$ 3,116,487	\$ 2,880,755	\$ (235,732)
State sources	7,213,664	7,321,911	7,356,928	35,017
Local source, contributions and other rev.	307,917	1,199,105	1,297,640	98,535
Total revenues	10,397,570	11,637,503	11,535,323	(102,180)
EXPENDITURES				
Current:				
Instruction	4,474,389	5,914,404	4,936,375	978,029
Student support services	730,467	811,931	580,485	231,446
Instruction-related technology	41,500	74,500	39,500	35,000
Professional development	20,000	32,000	16,515	15,485
Board	106,500	106,500	98,704	7,796
General administration	328,451	328,451	328,221	230
School administration	1,243,761	1,397,767	1,647,228	(249,461)
Facilities acquisition and construction	378,000	378,000	2,000	376,000
Fiscal services	127,703	15,500	20,163	(4,663)
Central services	55,000	60,000	63,860	(3,860)
Pupil transportation	5,000	15,000	40,284	(25,284)
Operation of plant	921,037	1,781,801	1,338,144	443,657
Community services	131,856	124,577	114,183	10,394
Interest expense	-	-	20,797	(20,797)
Retirement of principal	-	-	226,082	(226,082)
Debt issuance costs	-	-	70,376	(70,376)
Capital outlay	-	-	886,714	(886,714)
Total expenditures	8,563,664	11,040,431	10,429,631	610,800
Excess of revenues over expenditures	1,833,906	597,072	1,105,692	508,620
Other financing sources				
Proceeds from bank loan	-	-	1,500,000	1,500,000
Transfers in	-	-	6,849	6,849
Transfers out	-	-	(6,849)	(6,849)
Total other financing sources	-	-	1,500,000	1,500,000
Net changes in fund balance	\$ 1,833,906	\$ 597,072	\$ 2,605,692	\$ 2,008,620

Special Revenue Fund – Major

The School uses a special revenue fund to account for the awarded grant, American Rescue Plan – Elementary and Secondary Relief Fund (ESSER III). In accordance with Governmental Accounting Standards Board Statement 34, Paragraph 130, budgetary comparison schedules should be presented as required supplementary information for the general fund and each major special revenue fund that has a legally adopted annual budget. Because the budget for the ESSER III is not an annual budget and covers multiple years, a budgetary comparison schedule for the ESSER III fund is not required.

Sotolongo & Associates, P.A.

Certified Public Accountants

Report of Independent Auditors 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 of
Academy for Innovative Education
Miami Springs, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Academy for Innovative Education (the "School"), a charter school sponsored by the School Board of Miami-Dade County, Florida and operated by Miami Dade Foundation for Educational Innovation, Inc., as of and for the year ended June 30, 2023, 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 10, 2023.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Sotolongo & Associates, P.A.

Miami, Florida
September 10, 2023

ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE FLORIDA AUDITOR GENERAL,
CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS AND SIMILAR
ENTITIES, THE FLORIDA VIRTUAL SCHOOL, AND VIRTUAL
INSTRUCTION PROGRAM PROVIDERS*

Sotolongo & Associates, P.A.

Certified Public Accountants

To the Board of Directors of
Academy for Innovative Education
Miami Springs, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Academy for Innovative Education, a charter school sponsored by the School Board of Miami-Dade County, Florida and operated by Miami-Dade Foundation for Educational Innovation, Inc., as of and for the year ended June 30, 2023, and have issued our report thereon dated September 10, 2023.

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 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 is dated, September 10, 2023, 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 or 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 of the School is Academy for Innovative Education. The name of the not-for-profit entity that operates the School is Miami-Dade Foundation for Educational Innovation, Inc. The school code assigned to the school is 6093.

Financial Condition and Management

Section 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 Academy for Innovative Education 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 Academy for Innovative Education 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 Academy for Innovative Education. It is management's responsibility to monitor the Academy for Innovative Education'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. We performed the financial condition assessment procedures for the year ended June 30, 2023, which included calculation and analysis of certain financial indicators we considered relevant to the School. No deteriorating financial condition was noted as a result of this assessment.

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 Academy for Innovative Education 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 Academy for Innovative Education 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 not have any such findings.

Purpose of this Letter

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



Miami, Florida
September 10, 2023