

**SUMMARY OF  
SIGNIFICANT FINDINGS  
AND FINANCIAL TRENDS  
IDENTIFIED IN CHARTER SCHOOL AND  
CHARTER TECHNICAL CAREER CENTER  
AUDIT REPORTS FOR THE  
FISCAL YEAR ENDED JUNE 30, 2020**

Pursuant to Section 11.45(7)(f), Florida Statutes



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Auditor General

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# SUMMARY OF SIGNIFICANT FINDINGS AND FINANCIAL TRENDS IDENTIFIED IN CHARTER SCHOOL AND CHARTER TECHNICAL CAREER CENTER AUDIT REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

## SUMMARY

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State law<sup>1</sup> requires all charter schools and charter technical career centers (hereafter collectively referred to as charter schools) to provide for annual financial audits conducted by independent certified public accountants (CPAs), and to file copies of the audit reports with us. During the fiscal year ended June 30, 2020, there were 666 charter schools in operation.<sup>2</sup> Pursuant to State law,<sup>3</sup> we reviewed the 664 charter school 2019-20 fiscal year audit reports filed with us,<sup>4</sup> considered those reports and other records associated with charter school financial trends, and compiled this report of significant findings and financial trends identified in those audit reports.

The results of our review of the 664 charter school audit reports and other records are summarized below.

### Significant Findings

- A total of 155 findings were included in 80 (12 percent) of the 664 audit reports.
- CPAs considered 16 of the 155 findings to be material weaknesses in internal control over financial reporting and 15 of the 155 findings to be noncompliance with provisions of laws, regulations, contracts, or grants required by *Government Auditing Standards* (GAS) to be reported.<sup>5</sup>
- 76 audit reports, including 15 audit reports with material weakness findings and 8 other audit reports with noncompliance findings required by GAS to be reported, addressed 124 other types of findings such as significant deficiencies in internal control, other instances of noncompliance with applicable laws or rules, or additional matters that should be addressed by management.
- One or more of the elements of information required by Auditor General rules<sup>6</sup> for audit findings were not included for 58 (37 percent) of the 155 findings. These 58 findings were included in 35 (44 percent) of the 80 audit reports with findings.
- 33 (41 percent) of the 80 audit reports with findings contained findings repeated from prior fiscal year audit reports. Specifically, 33 audit reports contained a total of 53 findings repeated from the 2018-19 fiscal year audit reports and 20 audit reports contained a total of 27 findings repeated from both the 2018-19 and 2017-18 fiscal year audit reports. In total, 53 (34 percent) of the 155 findings included in the 80 audit reports were repeat findings.

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<sup>1</sup> Section 218.39, Florida Statutes.

<sup>2</sup> The number of charter schools was determined based on Florida Department of Education records and our analysis of charter school audit reports, which identified some instances in which individual schools were reported as a single reporting entity.

<sup>3</sup> Section 11.45(7)(f), Florida Statutes.

<sup>4</sup> Two charter schools closed during the 2019-20 fiscal year and did not file audit reports with us.

<sup>5</sup> GAS require auditors to report noncompliance with provisions of laws, regulations, contracts, or grant agreements that has a material effect on the financial statements and any other instances of noncompliance with provisions of laws or regulations that warrant the attention of those charged with governance.

<sup>6</sup> Chapter 10.850, Rules of the Auditor General for Audits of Charter Schools and Charter Technical Career Centers, The Florida Virtual School, and Virtual Instruction Program Providers.

## Financial Trends

- Auditors reported unmodified opinions in 663 of the 664 audit reports and a modified opinion (i.e., qualified opinion) in 1 report.
- 52 (8 percent) of the 664 charter schools reported a general fund, or other unrestricted fund, deficit total unassigned and assigned fund balance or unrestricted net assets at June 30, 2020. In comparison, 73 (11 percent) of 648 charter schools reported deficits at June 30, 2019. Deficits may be indicative of a charter school's poor or declining financial health.
- The audit reports for 7 charter schools included a statement by the CPA questioning the ability of the charter school to continue operations on an ongoing basis.

## BACKGROUND

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Charter schools in Florida are public schools and are part of the State's program of public education.<sup>7</sup> Charter schools typically operate under a charter contract with a sponsoring school district or State university<sup>8</sup> and receive funding similar to other public schools. A charter school must be organized as a nonprofit organization and may be operated by a nonprofit organization, municipality, or other public entity.<sup>9</sup>

Similarly, charter technical career centers may be created as part of the State's program of public education.<sup>10</sup> Charter technical career centers typically operate under a charter contract with a sponsoring school district, State college, or a consortium of one or more of each. Charter technical career centers must be organized as nonprofit organizations and receive State funding for student enrollment and program outcomes as provided in law in addition to funding received directly from sponsors.

Although part of the State's program of public education, charter schools and charter technical career centers (hereafter collectively referred to as charter schools) are exempt from many of the laws and rules that govern the operations of their sponsors and other public schools. However, there are also provisions in State law specific to charter schools, including a provision that requires charter schools to obtain annual financial audits by certified public accountants (CPAs).<sup>11</sup> State law<sup>12</sup> requires Auditor General rules<sup>13</sup> to provide guidelines for the CPAs to follow when conducting and reporting the results of the charter school audits.

State law<sup>14</sup> requires us to annually compile and transmit to the President of the Senate, the Speaker of the House of Representatives, and the Legislative Auditing Committee this summary of significant findings and financial trends identified in the charter school audit reports.

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<sup>7</sup> Section 1002.33, Florida Statutes.

<sup>8</sup> Pursuant to Section 1002.32, Florida Statutes, State universities may grant charters to lab (developmental research) schools.

<sup>9</sup> Section 1002.33(12)(i), Florida Statutes.

<sup>10</sup> Section 1002.34, Florida Statutes.

<sup>11</sup> Section 218.39(1)(e) and (f), Florida Statutes.

<sup>12</sup> Section 11.45(8), Florida Statutes.

<sup>13</sup> Chapter 10.850, Rules of the Auditor General for Audits of Charter Schools and Charter Technical Career Centers, The Florida Virtual School, and Virtual Instruction Program Providers.

<sup>14</sup> Section 11.45(7)(f), Florida Statutes.

## ***SIGNIFICANT FINDINGS***

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### **Classification of Audit Findings**

Auditing standards require auditors to report material weaknesses and significant deficiencies in internal control that are disclosed during the course of a financial statement audit. 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 financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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.

Auditing standards also require auditors to report noncompliance with provisions of laws, regulations, contracts, or grant agreements that has a material effect on the financial statements and any other instances of noncompliance with provisions of laws or regulations that warrant the attention of those charged with governance. The classification of an audit finding in a charter school audit report is dependent upon the finding's potential impact on the specific charter school under audit. Therefore, the classification of similar audit findings could vary from charter school to charter school.

We reviewed the 664 charter school 2019-20 fiscal year audit reports filed with us and noted that the audit reports for 584 charter schools (88 percent) contained no audit findings. The audit reports for the other 80 charter schools included a total of 155 findings. In contrast, for the 2018-19 fiscal year, we noted that there were 323 findings in 199 charter school audit reports. The significant decrease in the number of findings in the 2019-20 fiscal year audit reports is mainly because 107 previous findings citing the lack of inventory reconciliations and inadequate capital asset subsidiary records were classified as corrected.

For purposes of this report, the various classifications of audit findings are discussed under two subheadings:

- Material weaknesses and noncompliance required by GAS to be reported.
- Significant deficiencies and other instances of noncompliance with applicable laws or rules, or additional matters that should be addressed by management.

### **Material Weaknesses and Noncompliance Required by GAS to be Reported**

The audit reports for 15 charter schools (identified in Table 1) included a total of 16 findings that were considered by the respective certified public accountants (CPAs) to be material weaknesses in the charter schools' internal control over financial reporting. In contrast, for the 2018-19 fiscal year, the same number of charter schools had 10 more findings (26 total findings) that were considered by the respective CPAs to be material weaknesses.

**Table 1**  
**Charter Schools With Reported Material Weaknesses**  
**For the Fiscal Year Ended June 30, 2020**

	County	School	Number of Material Weakness Findings
1	Alachua	Caring & Sharing Learning School	1
2	Alachua	Alachua Learning Academy Elementary School	1
3	Alachua	Alachua Learning Academy Middle School	1
4	Broward	Championship Academy of Distinction at Hollywood	2
5	Broward	Championship Academy of Distinction at Davie High School	1
6	Broward	Championship Academy of Distinction West Broward	1
7	Hillsborough	Community Charter School of Excellence	1
8	Manatee	Palmetto Charter School	1
9	Palm Beach	Seagull Academy for Independent Living	1
10	Sarasota	Sky Academy Venice	1
11	Sarasota	SKY Academy Englewood	1
12	Volusia	Richard Milburn Academy of Volusia County	1
13	Lee	Cape Coral Charter School Authority	1
14	Marion	Francis Marion Military Academy	1
15	Monroe	Big Pine Elementary Academy	1
<b>Total Number of Material Weakness Findings</b>			<b><u>16</u></b>

The 2019-20 audit reports for 4 of the 15 charter schools shown in Table 1 included material weakness findings that addressed incorrect records management, and the reports for 2 schools included material weakness findings that addressed inadequate separation of duties. The material weakness findings in the other audit reports addressed, for example, deficiencies in financial statement presentation, disbursement controls, payroll controls, records management, or school policies and procedures. In addition to material weaknesses, 11 of the 15 audit reports included other types of audit findings.

The audit reports for 8 charter schools (identified in Table 2) each included 1 or more noncompliance findings required by GAS to be reported. In contrast, for the 2018-19 fiscal year, 22 charter schools had a total of 29 noncompliance findings required by GAS to be reported. The 2019-20 fiscal year audit reports for the 8 charter schools included a total of 15 noncompliance findings required by GAS to be reported. The 15 findings disclosed, for example, that 6 charter schools did not comply with transparency requirements, 2 charter schools did not comply with charter contract requirements, and 2 charter schools incurred expenditures in excess of budgeted amounts.

**Table 2**  
**Charter Schools With Noncompliance Required by GAS to be Reported**  
**For the Fiscal Year Ended June 30, 2020**

	County	School	Number of Noncompliance Findings Required by GAS to be Reported
1	Alachua	Alachua Learning Academy Middle School	1
2	Broward	Championship Academy of Distinction at Davie	2
3	Broward	Championship Academy of Distinction at Davie High School	3
4	Broward	Championship Academy of Distinction at Hollywood	2
5	Broward	Championship Academy of Distinction at Hollywood Middle School	2
6	Broward	Championship Academy of Distinction West Broward	2
7	Miami-Dade	Latin Builders Association Construction and Business Management Academy	2
8	Volusia	The Chiles Academy	1
<b>Total Number of Noncompliance Findings Required by GAS to be Reported</b>			<b><u>15</u></b>

### Significant Deficiencies and Other Audit Findings

A total of 124 findings (80 percent of the 155 findings reported) in 76 audit reports were considered by the respective CPAs to be significant deficiencies, other instances of noncompliance with applicable laws and rules, or additional matters that should be addressed by management. Eleven audit reports had both material weaknesses and other types of audit findings, and 8 audit reports had noncompliance findings required to be reported by GAS and other types of audit findings. The predominant topics for the 124 audit findings not considered to be material weaknesses or noncompliance required by GAS to be reported were:

- **General Expenditures**. For 24 charter schools, the CPAs noted purchasing or other disbursement control deficiencies, such as inadequate documentation to support expenditures. Lack of controls over purchasing and invoice payment functions could affect a charter school's ability to demonstrate the appropriate use of public resources.
- **Improvement Needed in Financial Position**. For 17 charter schools, the CPAs noted a deficit fund balance. Such deficits may affect the school's ability to meet its obligations in future fiscal years.
- **Payroll and Personnel Administration**. For 17 charter schools, the CPAs noted inadequate controls, or noncompliance with applicable legal requirements related to payroll and personnel administration. For example, because of inadequate controls, 3 charter schools did not always calculate Florida Retirement System contributions using correct employee wage amounts. Such payroll and personnel control deficiencies affect a charter school's ability to comply with legal requirements associated with payroll and personnel obligations.

- **Records Management**. For 13 charter schools, the CPAs noted that accounting and financial records were not properly and accurately maintained. The noted deficiencies included transactions either not posted or incorrectly posted to the accounting records and insufficient monitoring and review of account balances. Such recordkeeping deficiencies may affect the reliability of a charter school's records and related financial reports.
- **Cash Controls**. For 12 charter schools, the CPAs noted inadequate controls over cash. The noted control deficiencies included untimely prepared bank reconciliations and cash collections not adequately safeguarded. These deficiencies increase the risk that unauthorized disbursements or loss of cash could occur and not be timely detected.
- **Separation of Duties**. For 10 charter schools, the CPAs noted that certain duties and responsibilities were not adequately separated. Consequently, the charter schools' ability to properly safeguard assets was limited and there was an increased risk that errors or fraud, should they occur, may not be timely detected. The CPAs recommended that the charter schools reassign duties and responsibilities or, if reassignment of duties and responsibilities is not possible due to the small number of staff members and size of certain charter schools, establish compensating controls.
- **Transparency**. For 7 charter schools, the CPAs noted that the charter schools did not maintain on their Web sites the information required by State law.<sup>15</sup> According to the reports, the schools' Web sites lacked required information such as school budgets, independent financial audit reports, and minutes of governing board meetings. CPAs also reported in management letters including with the audit reports that 5 charter schools did not comply with transparency requirements, although these instances of noncompliance were not cited as audit findings. Providing the required Web site information encourages citizen involvement; enhances the ability to analyze, monitor, and evaluate financial outcomes; and promotes transparency.
- **Miscellaneous Findings**. For 24 charter schools, the CPAs noted various audit findings related to areas such as infrequent board meetings, related party transactions, and inadequate knowledge to prepare financial statements. Other miscellaneous findings noted charter schools with financial position concerns, including those with total fund balance deficits.

## Detail of Audit Findings

Of the 155 findings reported by the respective CPAs, 58 (37 percent) did not include the audit report finding information prescribed by Auditor General rules.<sup>16</sup> These 58 findings were included in 35 (44 percent) of the 80 audit reports with findings. Specifically, the CPAs did not include in the 58 findings one or more of the following required finding information elements:

- A description of the criteria or specific requirement upon which the audit finding was based (e.g., statutory, regulatory, or other citation).
- A description of the condition found, including the facts that support the deficiency identified in the finding.
- A proper perspective (e.g., the number of records examined and the quantity or dollar value of deficiencies noted) necessary to judge the prevalence and consequences of the findings, such as whether the findings represent an infrequent occurrence or a systemic problem.

In comparison, those same elements were also missing from 27 percent of the findings reported by CPAs in the 2018-19 fiscal year audit reports. Audit findings that do not include the required information hinder

<sup>15</sup> Section 1002.33(9)(p), Florida Statutes.

<sup>16</sup> Section 10.856(3), Rules of the Auditor General.



the ability of audit report users to understand the nature and magnitude of the problem addressed in the finding and the necessary corrective action and may contribute to an increase in repeat audit findings.

### Repeated Findings from Previous Fiscal Years

A significant number of findings included in the 2019-20 fiscal year audit reports were also included in the 2018-19 and 2017-18 fiscal year audit reports. In total, 53 (34 percent) of the 155 findings included in the 80 audit reports were repeat findings. Specifically, 13 audit reports contained a total of 26 findings repeated from the 2018-19 fiscal year audit reports and 20 other audit reports contained a total of 27 findings repeated from both the 2018-19 and 2017-18 fiscal year audit reports.

State law<sup>17</sup> requires us to notify the Legislative Auditing Committee of charter school audit reports that indicate the charter school failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports. Accordingly, on May 18, 2021, we notified the Legislative Auditing Committee of the 20 charter schools that failed to take full corrective action in response to one or more of the recommendations included in the two preceding financial audit reports.

## FINANCIAL TRENDS

### Number of Charter Schools

**EXHIBIT A** to this report shows the number of charter schools by county for 5 fiscal years (2015-16 through 2019-20). Table 3 shows the 10 counties with the largest number of charter schools.

**Table 3**  
**Ten Counties with the Largest**  
**Number of Charter Schools**  
**For the Fiscal Year Ended June 30, 2020**

County	Number of Charter Schools
1 Miami-Dade	140
2 Broward	87
3 Hillsborough	52
4 Palm Beach	51
5 Orange	42
6 Duval	32
7 Polk	28
8 Osceola	26
9 Lee	20
10 Pinellas	18

**EXHIBIT A** also shows that, during the 2019-20 fiscal year, one or more charter schools operated in 47 of the State's 67 counties and, overall, there were 666 charter schools in operation. This number reflects

<sup>17</sup> Section 218.39(8), Florida Statutes.

an increase of 20 (3 percent) over the 646 charter schools operating during the 2015-16 fiscal year. All but 2 of the 666 charter schools in operation during the 2019-20 fiscal year filed audit reports with us. These 2 charter schools closed during the 2019-20 fiscal year.

## Financial Audit Opinions

State law<sup>18</sup> requires each charter school to obtain an annual financial audit of its accounts and records by an independent CPA. The annual audits are necessary to ensure that management and those charged with governance are promptly informed of the charter school's financial condition, and provide for timely review by the charter school sponsor. The audits also provide financial statement users independent assurance of the reliability of the financial information in the form of an opinion on the financial statements.

Financial auditors issue unmodified opinions to report that financial statements are fairly presented in accordance with generally accepted accounting principles (GAAP), alternatively, auditors may issue a modified opinion (e.g., a qualified or disclaimer of opinion) if the financial statements do not align with GAAP. For example, qualified opinions indicate that most information included in the financial statements is accurately presented, except for a few discrepancies, and a disclaimer of opinion indicates that, because of certain conditions, no opinion is given on the financial statements.

For the 2019-20 fiscal year, auditors concluded in 663 of the 664 audit reports that charter schools accurately reported financial information for the 2019-20 fiscal year and issued unmodified opinions on those financial statements. The auditor for the other charter school (St. Petersburg College Collegiate High School) reported a qualified opinion because, contrary to GAAP, the school's financial statements did not include amounts associated with its postemployment defined benefit plan.

## Financial Condition Trends

Identifying meaningful financial condition trend data is somewhat problematic as the size and organizational structure of the charter schools vary significantly,<sup>19</sup> charter schools do not all present audited financial information on the same accounting basis,<sup>20</sup> and some charter schools are relatively new. However, certain reported information is comparable and useful for determining the financial condition of the charter school population.

We reviewed the 664 charter school 2019-20 fiscal year audit reports filed with us and analyzed the reported ending fund balance or unrestricted net assets. These balances generally represent residual amounts at fiscal year end that are available to finance the subsequent fiscal year's operations and may provide some indication of a charter school's financial health at the end of the reporting period.

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<sup>18</sup> Section 218.39, Florida Statutes.

<sup>19</sup> Many charter schools are small, single entity organizations and some are operated by municipalities or not-for-profit organizations. Individual charter schools reported annual revenues ranging from \$41,292 to \$46.8 million for the fiscal year ended June 30, 2020.

<sup>20</sup> Some charter schools present audited financial information on the governmental accounting basis, while others present the information on the not-for-profit accounting basis.

The financial condition measure used in this report is the ratio of the charter schools' total unassigned and assigned fund balance or unrestricted net assets to the total revenues of the general fund or other unrestricted fund. Table 4 shows, for each of the past 3 fiscal years audited, the charter schools' average financial condition ratio; the number of charter schools with a financial condition ratio above the average ratio; the number of charter schools with positive balances but a financial condition ratio below the average ratio; and the number of charter schools that ended the fiscal year with a general fund, or other unrestricted fund, deficit total unassigned and assigned fund balance or deficit unrestricted net assets.

**Table 4**  
**Summary of Financial Condition Ratios**  
**For the Fiscal Years Ended June 30, 2018, 2019, and 2020**

Fund Balance or Net Assets	Fiscal Year Ended June 30		
	2018	2019	2020
<b>Average Financial Condition Ratio</b>	<b>20.40%</b>	<b>19.95%</b>	<b>22.18%</b>
<b>Number of:</b>			
Schools with ratios above the average ratio	230	241	251
Schools with ratios below the average ratio but with positive or zero balances	360	334	361
Schools with deficit balances	54	73	52
<b>Total number of schools included in our review</b>	<b><u>644</u></b>	<b><u>648</u></b>	<b><u>664</u></b>

As shown in **EXHIBIT B** to this report, 52 (8 percent) of the 664 charter schools reported a general fund, or other unrestricted fund, deficit unassigned and assigned fund balance or deficit unrestricted net assets at June 30, 2020, which is a decrease from the 73 (11 percent) of the 648 charter schools that reported deficits at June 30, 2019. The financial condition ratio for the 52 charter schools that reported deficit balances ranged from less than negative 1 percent to negative 71 percent. Seven of the 52 charter schools reporting a deficit balance were in their first year of operation. Twenty-eight of the 52 charter schools reported a deficit for the 2018-19 and 2019-20 fiscal years, and 16 of those charter schools reported a deficit for 3 or more fiscal years.

### Financial Condition Concerns and Monitoring

State law<sup>21</sup> sets forth the process for determining whether a charter school is in a state of financial emergency. The law provides that, when one or more of the specified conditions by law (e.g., failure to make payments for loans, uncontested claims, or wages and salaries)<sup>22</sup> have occurred, or will occur if action is not taken to assist the charter school, the charter school is to notify its sponsor, the Commissioner of Education, and the Legislative Auditing Committee. Additionally, Auditor General

<sup>21</sup> Section 218.503(2), Florida Statutes.

<sup>22</sup> Section 218.503(1), Florida Statutes.

rules<sup>23</sup> require the charter school's independent CPA to apply appropriate procedures and state in the management letter whether the charter school met one or more of the specified conditions. State law<sup>24</sup> prohibits charter schools that have met any of the specified conditions from being designated as a high-performing charter school. High-performing charter schools are granted more flexibility than other charter schools in meeting certain statutory requirements.

If a charter school is reported as meeting one or more of the specified conditions, we are required to notify the Commissioner of Education and the Legislative Auditing Committee (LAC).<sup>25</sup> If the Commissioner of Education determines that the charter school needs a financial recovery plan to resolve the condition, the charter school is considered to be in a state of financial emergency. For the 2019-20 fiscal year, the CPAs who audited the charter schools identified ten charter schools (listed in Table 5) that met one of the specified conditions in State law. The Commissioner of Education determined none of the ten charter schools to be in a state of financial emergency.

**Table 5**  
**Charter Schools Meeting a Specified**  
**Condition in Section 218.503, Florida Statutes**  
**For the Fiscal Year Ended June 30, 2020**

	County	School
1	Broward	Championship Academy of Distinction at Davie <sup>a</sup>
2	Broward	Championship Academy of Distinction at Davie High School <sup>a</sup>
3	Broward	Championship Academy of Distinction at Hollywood <sup>a</sup>
4	Broward	Championship Academy of Distinction at Hollywood Middle School <sup>a</sup>
5	Broward	Championship Academy of Distinction West Broward <sup>a</sup>
6	Lee	Heritage Charter Academy, Inc. <sup>b, c</sup>
7	Marion	Francis Marion Military Academy <sup>a, d</sup>
8	Miami-Dade	Latin Builders Association Construction and Business Management Academy <sup>a</sup>
9	Osceola	Avant Garde Academy K8 of Osceola <sup>a, e</sup>
10	Osceola	St. Cloud Preparatory Academy <sup>f</sup>

<sup>a</sup> The school had unpaid uncontested claims from creditors within 90 days of claims being presented.

<sup>b</sup> The school failed to transfer payroll taxes withheld due to lack of funds.

<sup>c</sup> For the fiscal year ended June 30, 2019, the school also failed to transfer payroll taxes withheld due to lack of funds.

<sup>d</sup> For the fiscal year ended June 30, 2019, the school also failed to pay employees due to lack of funds.

<sup>e</sup> For the fiscal year ended June 30, 2019, the school also had unpaid uncontested claims from creditors within 90 days of claims being presented.

<sup>f</sup> The school was significantly behind on lease payments due to lack of funds.

<sup>23</sup> Chapter 10.850, Rules of the Auditor General for Audits of Charter Schools and Charter Technical Career Centers, The Florida Virtual School, and Virtual Instruction Program Providers.

<sup>24</sup> Section 1002.331(1)(c), Florida Statutes.

<sup>25</sup> We notified the LAC on April 16, 2021, of the ten charter schools meeting one or more of the specified conditions.

For the 2018-19 fiscal year, CPAs identified eight charter schools that met one of the specified conditions in State law, and the Commissioner of Education determined none of those charter schools to be in a state of financial emergency.

In addition, the 2019-20 fiscal year audit reports for seven charter schools, including three that also met a specified condition in State law, contained statements by the respective CPAs questioning the ability of the charter schools to continue operations on an ongoing basis (i.e., going concern statements). Similarly, for the 2018-19 fiscal year, there were seven charter school audit reports with going concern statements, including four reports for charter schools that met a specified condition in State law. Table 6 identifies the charter school audit reports that contained that information for the fiscal years ended June 30, 2020, and June 30, 2019. Only the audit reports for Avant Garde Academy K8 of Osceola had a going concern statement and was noted for meeting a specified condition in State law for both fiscal years.

**Table 6**  
**Charter Schools With Going Concern Statements**  
**For the Fiscal Years Ended June 30, 2020, and June 30, 2019**

	County	School
<b>2020</b>		
1	Brevard	Legacy Academy Charter
2	Charlotte	Crossroads Hope Academy
3	Hillsborough	Community Charter School of Excellence
4	Marion	Francis Marion Military Academy <sup>a</sup>
5	Miami-Dade	Latin Builders Association Construction and Business Management Academy <sup>a</sup>
6	Osceola	Avant Garde Academy K8 of Osceola <sup>a</sup>
7	Palm Beach	Southtech Success Center
<b>2019</b>		
1	Broward	Championship Academy of Distinction at Davie
2	Broward	Kidz Choice Charter School <sup>a</sup>
3	Flagler	Palm Harbor Academy
4	Manatee	Lincoln Memorial Academy <sup>a</sup>
5	Orange	Kid's Community College Charter-Orange County <sup>a</sup>
6	Osceola	Avant Garde Academy K8 of Osceola <sup>a</sup>
7	Osceola	Florida Aviation Academy

<sup>a</sup> For the respective fiscal year end, the school also met a specified condition in Section 218.503, Florida Statutes.

As discussed in the **Student Enrollment and Related Funding** section of this report, although some charter schools close each year, the total number of charter schools and charter school full-time equivalent (FTE) students has been increasing. During the period July 2019 through May 2021, a total of 9 charter schools closed. Our examination of Florida Department of Education (FDOE) and sponsoring school district records disclosed that:

- 5 charter schools closed because the schools merged with other charter schools.

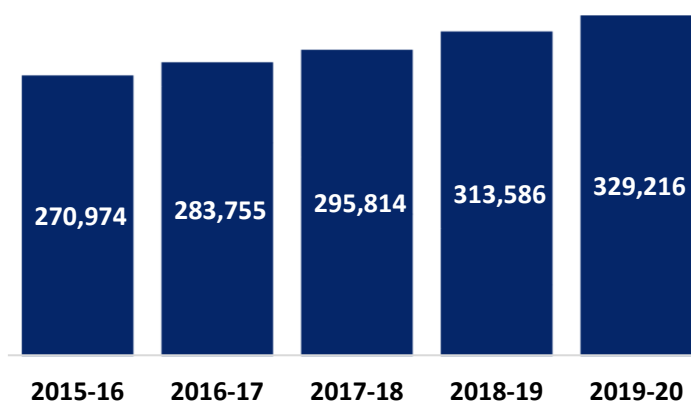
- 3 charter schools closed voluntarily and FDOE or sponsoring school district records did not disclose the reason the schools closed.
- 1 charter school closed due to financial difficulties.

Effective financial monitoring and timely and appropriate adjustments to operations are critical to ensure that charter school operating costs remain within available financial resources. Such monitoring is particularly crucial for charter schools that meet one or more of the specified conditions of State law, are in a state of financial emergency, have audit reports containing going concern statements, or report deficit total unassigned and assigned fund balances or deficit unrestricted net assets.

## Student Enrollment and Related Funding

FDOE records indicate that 329,216 students were enrolled in Florida charter schools during the 2019-20 fiscal year. To evaluate the student enrollment of the charter schools that continued operations during the 2017-18, 2018-19, and 2019-20 fiscal years, we compared the full-time equivalent (FTE) students of charter schools for those periods. The total number of FTE in Florida charter schools increased by 15,630 from the 2018-19 fiscal year to the 2019-20 fiscal year, which is 2,142 less than the 17,772 increase from the 2017-18 fiscal year to the 2018-19 fiscal year. Chart 1 shows the student enrollment in charter schools for the 2015-16 through 2019-20 fiscal years.

**Chart 1**  
**Charter Schools Student Enrollment**  
**For the 2015-16 through 2019-20 Fiscal Years**



Source: FDOE Florida's Charter Schools Fact Sheet dated October 2020.

For the 2019-20 fiscal year, the base Florida Education Finance Program (FEFP) allocation was \$4,279.49 per FTE student, which represented an increase of \$75.07 from the final 2018-19 fiscal year FEFP allocation of \$4,204.42 per FTE student. Based on the 2020-21 FEFP Fourth Calculation issued by the FDOE in April 2021, the 2020-21 fiscal year FEFP allocation was \$4,319.49 per FTE, an increase of \$40.00 per FTE from the 2019-20 fiscal year final allocation. Student enrollment and related funding can be useful information in assessing the financial stability and health of charter schools.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of this project for charter school audit reports filed pursuant to State law<sup>26</sup> were to identify significant findings and financial trends based on our review of the audit reports. The scope of this project included a review of the 664 audit reports for the fiscal year ended June 30, 2020, prepared by independent CPAs and filed with us.

Our methodology included a review of the audit reports and a compilation of significant findings and financial trends. We conducted this review in accordance with applicable generally accepted government auditing standards. We believe that the procedures performed provide a reasonable basis for the summaries of significant findings and financial trends included in this report.

## **AUTHORITY**

Pursuant to Section 11.45(7)(f), Florida Statutes, I have directed that this report be prepared to present a summary of significant findings and financial trends identified during our review of charter school and charter technical career center audit reports prepared by independent certified public accountants for the fiscal year ended June 30, 2020.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name "Sherrill" and last name "Norman" clearly legible.

Sherrill F. Norman, CPA  
Auditor General

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<sup>26</sup> Section 218.39, Florida Statutes.

## EXHIBIT A

### NUMBER OF CHARTER SCHOOLS IN OPERATION BY COUNTY FOR 5 FISCAL YEARS

County	Fiscal Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
1 Alachua	14	15	15	14	14
2 Bay	10	10	11	11	11
3 Brevard	11	11	12	12	12
4 Broward	102	99	91	86	87
5 Charlotte	2	2	3	3	3
6 Citrus	2	2	2	1	1
7 Clay	3	3	3	3	3
8 Collier	5	5	6	7	7
9 Columbia	1	1	1	1	1
10 Dixie	1	1	1	1	1
11 Duval	36	35	33	32	32
12 Escambia	6	6	6	5	5
13 Flagler	2	2	2	2	1
14 Franklin	1	1	1	1	1
15 Gadsden	2	2	1	1	1
16 Glades	2	2	2	2	1
17 Hernando	3	3	3	2	2
18 Hillsborough	42	42	49	49	52
19 Indian River	5	5	5	5	5
20 Jefferson	-	-	3	3	3
21 Lake	8	8	9	9	10
22 Lee	22	23	22	21	20
23 Leon	7	6	5	5	5
24 Levy	2	2	2	2	2
25 Madison	1	2	2	2	2
26 Manatee	12	11	12	13	13
27 Marion	4	4	4	4	4
28 Martin	2	2	2	2	3
29 Miami-Dade	126	128	130	134	140
30 Monroe	6	6	6	6	6
31 Okaloosa	3	3	3	3	3
32 Orange	36	40	39	41	42
33 Osceola	17	18	21	24	26
34 Palm Beach	50	54	49	49	51
35 Pasco	9	10	11	11	10
36 Pinellas	23	20	17	17	18



County	Fiscal Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
37 Polk	23	25	25	27	28
38 Putnam	3	3	3	3	3
39 Santa Rosa	2	2	2	2	2
40 Sarasota	12	12	11	11	12
41 Seminole	4	4	4	4	4
42 St. Johns	6	4	3	3	3
43 St. Lucie	5	5	5	5	5
44 Sumter	1	1	1	1	1
45 Volusia	8	7	7	7	7
46 Wakulla	1	1	1	1	1
47 Walton	3	2	2	2	2
<b>Totals</b>	<b><u>646</u></b>	<b><u>650</u></b>	<b><u>648</u></b>	<b><u>650</u></b>	<b><u>666</u></b>

Source: Florida Department of Education records and our analysis of charter school audit reports.

## EXHIBIT B

### SUMMARY OF CHARTER SCHOOLS WITH DEFICIT FUND BALANCES OR DEFICIT NET ASSETS

AT JUNE 30, 2020

COUNTY/School		General or Other Unrestricted Fund Balance or Total Net Assets	Total Unassigned and Assigned Fund Balance or Unrestricted Net Assets
<b>Brevard</b>			
1	Palm Bay Preparatory Elementary Academy <sup>a</sup>	\$ (390,994)	\$ 1,369,516
2	Pineapple Cove Classical Academy	(114,269)	(43,417)
<b>Broward</b>			
3	Alpha International Academy	(14,180)	(14,180)
4	Bridgeprep Academy of Broward County Charter School	(145,803)	(170,803)
5	Bridgeprep Academy of Hollywood Hills <sup>a</sup>	(18,746)	(18,746)
6	Championship Academy of Distinction at Davie	(250,096)	(250,096)
7	Championship Academy of Distinction at Davie High School <sup>b</sup>	(78,174)	(71,329)
8	Championship Academy of Distinction at Hollywood <sup>b</sup>	(379,004)	(375,534)
9	Championship Academy of Distinction at Hollywood Middle School	(96,962)	(96,962)
10	Franklin Academy Pembroke Pines High School <sup>a</sup>	(28,732)	(9,000)
11	Summit Academy Charter School <sup>c</sup>	(39,477)	(1,977)
12	Suned High of South Broward <sup>c</sup>	(361,171)	(325,447)
<b>Duval</b>			
13	Florida Cyber Charter Academy at Duval <sup>a</sup>	(5,450)	(5,450)
14	School of Success Academy – SOS <sup>b</sup>	(26,132)	(26,132)
15	Seaside Charter North Campus <sup>c</sup>	(192,934)	(178,834)
<b>Hillsborough</b>			
16	Avant Garde Academy Westchase <sup>a</sup>	(166,361)	(151,191)
17	Collaboratory Preparatory Academy	(105,150)	(105,150)
18	Community Charter School of Excellence <sup>a</sup>	(239,984)	(197,660)
19	Florida Connections Academy <sup>b d</sup>	(4,272)	625
20	Pivot Charter School – Tampa <sup>a</sup>	(101,694)	(101,694)
21	RCMA Wimauma Leadership Academy	(187,914)	(187,914)
<b>Jefferson</b>			
22	Jefferson County High <sup>b</sup>	(222,885)	(221,709)
<b>Lee</b>			
23	Athenian Academy Charter School	(60,257)	(41,507)
24	Heritage Charter Academy, Inc. <sup>a</sup>	(194,137)	(158,018)
<b>Manatee</b>			
25	Rowlett Middle Academy <sup>b</sup>	(126,989)	(90,732)

COUNTY/School		General or Other Unrestricted Fund Balance or Total Net Assets	Total Unassigned and Assigned Fund Balance or Unrestricted Net Assets
<b>Marion</b>			
26	Francis Marion Military Academy <sup>a</sup>	(229,517)	(229,517)
<b>Miami-Dade</b>			
27	Arts Academy of Excellence <sup>a</sup>	(120,462)	(120,462)
28	Bridgeprep Academy Charter School <sup>b</sup>	(119,365)	(46,671)
29	Coral Reef Montessori Academy Charter School <sup>a</sup>	(23,142)	(23,142)
30	Don Soffer Aventura High School <sup>c e</sup>	(1,339,857)	(1,339,857)
31	Excelsior Language Academy of Hialeah <sup>b</sup>	(146,662)	(67,062)
32	Latin Builders Association Construction and Business Management Academy	(57,902)	(57,902)
33	Mater Academy Bay Middle	(71,960)	(71,960)
34	True North Classical Academy High School <sup>c</sup>	(138,644)	(135,206)
<b>Orange</b>			
35	Innovation Montessori High School	(83,556)	(83,556)
36	Prosperitas Leadership Academy <sup>b</sup>	(42,652)	12,570
<b>Osceola</b>			
37	Avant Garde Academy K8 of Osceola <sup>a</sup>	(521,208)	(500,375)
38	Bridgeprep Academy Osceola County <sup>b</sup>	(35,593)	49,252
39	Canoe Creek Charter Academy	(4,670)	196,874
40	Creative Inspiration Journey of St. Cloud <sup>c</sup>	(85,921)	(63,159)
41	Florida Cyber Charter Academy at Osceola <sup>a</sup>	(7,706)	
42	St. Cloud Preparatory Academy <sup>b</sup>	(155,850)	(106,132)
<b>Palm Beach</b>			
43	Bridgeprep Academy of Palm Beach Charter School <sup>a</sup>	(64,935)	(52,100)
44	Inlet Grove Community High School	(22,183)	7,630
45	Toussaint L'Ouverture High School for Arts and Social Justice <sup>a</sup>	(25,514)	(25,514)
<b>Pasco</b>			
46	Dayspring Academy for Education and the Arts	(79,018)	(44,391)
47	Plato Academy Trinity Charter School <sup>b</sup>	(293,150)	(288,482)
<b>Pinellas</b>			
48	Plato Academy of Tarpon Springs Charter School	(1,944)	2,610
49	The Athenian Academy	(160,709)	36,051

COUNTY/School		General or Other Unrestricted Fund Balance or Total Net Assets	Total Unassigned and Assigned Fund Balance or Unrestricted Net Assets
<b>Sarasota</b>			
50	State College of Florida Collegiate School – Venice <sup>c</sup>	(73,530)	(73,530)
<b>Sumter</b>			
51	The Villages Charter School <sup>a</sup>	(2,100,253)	(2,094,981)
<b>Volusia</b>			
52	Ivy Hawn Charter School of the Arts	(50,590)	(43,340)

<sup>a</sup> Charter school is 1 of 16 charter schools that reported fiscal year deficits for 3 or more fiscal years.

<sup>b</sup> Charter school is 1 of 12 charter schools that reported fiscal year deficits only at June 30, 2019, and June 30, 2020.

<sup>c</sup> Charter school is 1 of 7 charter schools in its first year of operations.

<sup>d</sup> Charter school had a financial condition ratio of 1 percent.

<sup>e</sup> Charter school had a financial condition ratio of negative 71 percent.

Source: Charter school audited financial statements.