

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
dba
SunEd HIGH OF NORTH BROWARD
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORTS THEREON

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2017



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CERTIFIED PUBLIC ACCOUNTANTS

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SUNSHINE CHARTER ACADEMY OF BROWARD, INC. *dba* SUNED HIGH OF NORTH BROWARD
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

The discussion and analysis of Sunshine Charter Academy of Broward, Inc. *dba* SunEd High of North Broward's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The year ended June 30, 2017 represents the third year of operations for the School. Operations of the School are under direct control of the governing board. The governing board has hired a Principal to oversee educational aspects of the School and contracted an educational management company, A Plus Resource Group, LLC (A+) to manage all business operations related to the School. A+ has worked previously with this governing board as the educational service provider for Sunshine Charter Academy of Broward, Inc. *dba* SunEd High School, also in Broward County, FL.

Financial Highlights

At the close of the fiscal year, assets of the School exceeded liabilities by \$417,934 (net position). This is an increase of \$482,084 from the prior year when liabilities exceeded assets by \$64,150. Current year average enrollment increased to 298 from 293 students. SunEd High of North Broward is the second school operated by Sunshine Charter Academy of Broward, Inc. in Broward County, FL. Monies accumulated over four years of operations in the original school provided cash flow support to SunEd High of North Broward. Beginning this fiscal year, one-third of the intercompany debt will be forgiven.

Using this Financial Report

This report consists of six parts:

- 1) Management's discussion and analysis;
- 2) The basic financial statements; and
- 3) Notes to the financial statements.
- 4) Required supplementary information
- 5) Individual Auditor's Report
- 6) Management letter

Basic financial statements include two kinds of statements presenting different views of the School:

- 1) The "Statement of Net Position" and the "Statement of Activities" are government-wide financial statements that provide information about the School's overall financial status.
- 2) The "Balance Sheet" and the "Statement of Revenues, Expenditures and Changes in Fund Balance", are fund financial statements that focus on individual parts of the School. These statements focus on the current resources an uses of the school.

Government-Wide Financial Statements

These statements report information about the School as a whole using accounting methods similar to those used by the private sector. 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. Changes in net position, the difference between the School's assets and liabilities, provide an indicator of improving or deteriorating financial position.

SUNSHINE CHARTER ACADEMY OF BROWARD, INC. *dba* SUNED HIGH OF NORTH BROWARD
MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017
(continued)

GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

Net Position

This table provides a comparative summary of the School’s net position for fiscal years 2017 and 2016.

	2017	2016	Increase (Decrease)
Assets			
Current assets	\$ 901,766	\$ 645,877	\$ 255,889
Capital assets, net	176,117	270,486	(94,369)
Total assets	<u>\$ 1,077,883</u>	<u>\$ 916,363</u>	<u>\$ 161,520</u>
Liabilities			
Current liabilities	\$ 11,949	\$ 980,513	\$ (968,564)
Long term liabilities	648,000	-	648,000
Total liabilities	<u>\$ 659,949</u>	<u>\$ 980,513</u>	<u>\$ (320,564)</u>
Net assets			
Invested in capital assets	\$ 176,117	\$ 270,486	\$ (94,369)
Unrestricted	241,817	(334,636)	576,453
Total net position	<u>\$ 417,934</u>	<u>\$ (64,150)</u>	<u>\$ 482,084</u>

The School’s net capital assets are represented primarily by leasehold improvements, computer workstations, tables and chairs. At June 30, 2017, one-hundred percent (100%) of long term liabilities are comprised of \$648,000 payable to Sunshine Charter Academy of Broward, Inc. *dba* SunEd High School. At the end of At June 30, 2016, these monies (approximately \$972,138) were owed to Sunshine Charter Academy of Broward, Inc. *dba* SunEd High School and represented monies spent during fiscal year 2015, the School’s first year of operations. During the current fiscal year, the Board of Directors adopted a resolution forgiving one-third of the outstanding intercompany debt each year, beginning June 30, 2017. The amount forgiven at June 30, 2017 was \$324,138, which is included in other income.

Change in Net Position

The table on the following page provides a comparative summary of the School’s change in net position, revenues and expenses for fiscal years 2017 and 2016.

Revenues from state and local sources are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with funding provisions of the charter and Section 1002.33(18), F.S., the School reports the number of full-time equivalent students and related data to the District. Under the provisions of Section 1011.62, F.S., the District reports the number of full-time equivalent students and related data to the Florida Department of Education (“FDOE”) for funding through the Florida Education Finance Program (FEFP). During the year, funding is adjusted to reflect the revised calculations by 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 in October and February. For fiscal years 2017 and 2016, the School was paid on average enrollment of 297.81 and 292.57 students, respectively.

SUNSHINE CHARTER ACADEMY OF BROWARD, INC. *dba* SUNED HIGH OF NORTH BROWARD
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

(continued)

Change in Net Position (continued)

	2017	2016	Increase (Decrease)
Revenues			
State and local sources	\$ 1,934,874	\$ 1,852,743	\$ 82,131
Capital outlay	104,824	62,347	42,477
Other revenue	327,978	9,836	318,142
Total revenues	<u>2,367,676</u>	<u>1,924,926</u>	<u>442,750</u>
Expenses			
Instruction	602,122	480,435	121,687
Instructional support services	75,773	58,574	17,199
Board	51,899	70,166	(18,267)
School administration	577,029	567,923	9,106
Central services	81,213	79,158	2,055
Pupil transportation services	80,900	73,800	7,100
Operation of plant	405,111	401,448	3,663
Maintenance of plant	11,545	12,317	(772)
Total expenses	<u>1,885,592</u>	<u>1,743,821</u>	<u>141,771</u>
Change in net position	<u>482,084</u>	<u>181,105</u>	<u>300,979</u>

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

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 sources of funding and spending.

The School's basic services are included in governmental funds which focus 1) on how financial assets can be converted to cash flows and 2) on the year-end balances available for spending.

In particular, unassigned fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the School's governmental fund reported an ending unassigned fund balance of \$241,817 – a 172% (\$576,453) increase from the prior year unassigned fund deficit of \$334,636.

General Fund Budgetary Highlights

The School prepared an annual budget based on the expected funded enrollment figure for the school year. The original budget anticipated enrollment of 300 students. This did not change once the School's final full-time equivalent enrollment was determined based on the required count dates in October and February. Actual enrollment figures for the current fiscal year resulted in average enrollment for fiscal year 2017 of 298 students. An increase of 5 average students over the fiscal year 2016 when average enrollment was 293 students. During fiscal years 2017 and 2016, the school was eligible for capital outlay funds.

SUNSHINE CHARTER ACADEMY OF BROWARD, INC. *dba* SUNED HIGH OF NORTH BROWARD
MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017
(continued)

Capital Assets

The School had \$176,117 invested in capital assets at June 30, 2017. The capitalization threshold for classification of long-term assets is \$1,000 (\$750 if purchased with CSP Grant funds). The School’s net capital assets are represented primarily by leasehold improvements, computer workstations, tables and chairs. For more information on capital assets, see Note 8 in the Notes to the Basic Financial Statements.

Capital Assets - Net of Depreciation

	2017	2016	Increase (Decrease)
Furniture, fixtures and equipment	\$ 8,068	\$ 24,232	\$ (16,164)
Computer hardware	5,920	17,788	(11,868)
Computer software	606	1,806	(1,200)
Leasehold improvements	161,523	226,660	(65,137)
Total	\$ 176,117	\$ 270,486	\$ (94,369)

Current Financial Statements

This fiscal year was the third year of the School’s 5-year contract with the School District of Broward County. The Board of Directors of Sunshine Charter Academy of Broward, Inc. has contracted with A Plus Resource Group, LLC (“A+”) to provide day-to-day management services including facilities, equipment, technology, operational support services, financial reporting, and personnel management and consulting services. A+ provides services for a percentage share of the per pupil revenues and of grant revenues received by the School.

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. If you have questions about this report or need additional information, contact Barry Goldberg, A Plus Resource Group, LLC. at SunEd High of North Broward, (954) 246-4004; 1117 Banks Road, Margate, FL 33063.

Next Year’s Budget

Amounts available for appropriation in the general fund are approximately \$2.06 million, a decrease from 2017 actual amounts. The decrease is due to not budgeting for the forgiveness of debt.

Budgeted expenditures in the general fund are approximately \$1.91 million, an increase from the 2017 actual amounts.

If the above estimates are realized, the general fund is expected to increase slightly at the end of fiscal year 2018.



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Independent Auditor's Report

To the Board of Directors of Sunshine Charter Academy of Broward, Inc. *dba* SunEd High of North Broward and Component Unit of the District School Board of Broward County, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of Sunshine Charter Academy of Broward, Inc. *dba* SunEd High of North Broward and Component Unit of the District School Board of Broward County, Florida, (the "School") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair representation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the School, as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Sunshine Charter Academy of Broward, Inc. *dba* SunEd High of North Broward at June 30, 2017, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Sunshine Charter Academy of Broward, Inc. These financial statements do not purport to, and do not present fairly the financial position of Sunshine Charter Academy of Broward, Inc., as of June 30, 2017 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2-5 and 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

MC CRADY HESS

Orlando, Florida
October 10, 2017

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
dba
 SUNED HIGH OF NORTH BROWARD

A Charter School and Component Unit of the
 District School Board of Broward County, Florida

Statement of Net Position

June 30, 2017

	Governmental Activities
ASSETS	
Cash	\$ 818,800
Accounts receivable	8,836
Other assets	74,130
Capital assets:	
Leasehold improvements	391,661
Furniture, fixtures and equipment	48,478
Computer hardware	35,590
Computer software	3,606
Less accumulated depreciation	(303,218)
Total capital assets, net	176,117
Total assets	\$ 1,077,883
LIABILITIES	
Accounts payable and accrued expenses	\$ 11,949
Long term liabilities:	
Portion due or payable within one year:	
Due to related party	324,000
Portion due or payable after one year:	
Due to related party	324,000
Total liabilities	659,949
NET POSITION	
Invested in capital assets, net of related debt	176,117
Unrestricted	241,817
Total net position	\$ 417,934

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

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
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 SUNED HIGH OF NORTH BROWARD

A Charter School and Component Unit of the
 District School Board of Broward County, Florida

Statement of Activities

For the Year Ended June 30, 2017

	Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Capital Grants	Governmental Activities	Total
Governmental activities:				
Instruction	\$ 602,122	\$ -	\$ (602,122)	\$ (602,122)
Instructional support services	75,773	-	(75,773)	(75,773)
Board	51,899	-	(51,899)	(51,899)
School administration	577,029	-	(577,029)	(577,029)
Central services	81,213	-	(81,213)	(81,213)
Transportation	80,900	-	(80,900)	(80,900)
Operation of plant	405,111	104,824	(300,287)	(300,287)
Maintenance of plant	11,545	-	(11,545)	(11,545)
Total primary government	\$ 1,885,592	\$ 104,824	(1,780,768)	(1,780,768)
			\$ 1,934,874	\$ 1,934,874
			327,978	327,978
			2,262,852	2,262,852
			482,084	482,084
			(64,150)	(64,150)
			\$ 417,934	\$ 417,934

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

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
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 SUNED HIGH OF NORTH BROWARD

A Charter School and Component Unit of the
 District School Board of Broward County, Florida

Balance Sheet – Governmental Fund

June 30, 2017

	Governmental Fund - General
ASSETS	
Cash	\$ 818,800
Accounts receivable	8,836
Other assets	74,130
Total assets	\$ 901,766
LIABILITIES	
Accounts payable and accrued expenses	\$ 11,949
Total liabilities	11,949
FUND BALANCES	
Nonspendable:	
Deposits	21,468
Prepaid expenses	52,662
Spendable:	
Unassigned	815,687
Total fund balance	889,817
Total liabilities and fund balance	\$ 901,766

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

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
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SUNED HIGH OF NORTH BROWARD

A Charter School and Component Unit of the
District School Board of Broward County, Florida

Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position

June 30, 2017

Total fund balance - governmental fund	\$ 889,817
Amounts reported for governmental activities in the statement of net assets are different because:	
Long term intercompany debt is not included as part of liabilities in the governmental fund.	(648,000)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets are \$479,335 and the accumulated depreciation is \$303,218.	<u>176,117</u>
Total net position - governmental activities	<u>\$ 417,934</u>

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

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
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A Charter School and Component Unit of the
 District School Board of Broward County, Florida

Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Fund

For the Year Ended June 30, 2017

	General Fund
REVENUES	
State and local sources	\$ 1,934,874
Capital outlay	104,824
Other revenue	327,978
Total revenues	2,367,676
 EXPENDITURES	
Instruction	572,890
Instructional support services	75,773
Board	51,899
School administration	577,029
Central services	81,213
Transportation services	80,900
Operation of plant	326,080
Maintenance of plant	11,545
Capital outlay	13,894
Total expenditures	1,791,223
Excess of revenues over expenditures	576,453
 OTHER FINANCING SOURCE (USE)	
Proceeds from issuance of debt	648,000
Net change in fund balance	1,224,453
Fund (deficit) at beginning of year	(334,636)
Fund balance at end of year	\$ 889,817

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

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
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A Charter School and Component Unit of the
District School Board of Broward County, Florida

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Fund to the
Statement of Activities

For the Year Ended June 30, 2017

Net changes in fund balance - total governmental funds	\$ 1,224,453
Amounts reported for governmental activities in the statement of activities are different because:	
Proceeds from issuance of long-term debt are reported as an other financial source in the governmental funds. However, in the statement of net position, the amount of funds borrowed is reported as an increase in long-term liabilities.	(648,000)
Governmental funds report capital outlays as expenditures.	13,894
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$13,894 in fiscal year 2017) Depreciation expense of \$ 108,263 was recorded in the current period.	<u>(108,263)</u>
Change in net position of governmental activities	<u>\$ 482,084</u>

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

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
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SUNED HIGH OF NORTH BROWARD

A Charter School and Component Unit of the
District School Board of Broward County, Florida

Notes to Financial Statements

For the Year Ended June 30, 2017

1. DESCRIPTION OF SCHOOL AND REPORTING ENTITY

Sunshine Charter Academy of Broward, Inc. *dba* SunEd High of North Broward (the "School") is 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 School contracts with A Plus Resource Group LLC ("A+") for management of day-to-day operations (See Note 5). 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 District School Board of Broward County, Florida (the "District"). The current charter contract was signed for the five years beginning July 1, 2014 through June 30, 2019. This contract may be renewed by mutual written agreement between the School and the District.

At the end of the term of the charter contract, the District may choose not to renew the agreement under grounds specified in the charter contract. In this case, the District is required to notify the School in writing at least 90 days prior to the charter contract's expiration. During the term of the charter, the District may also terminate the charter contract if good cause is shown. In the event of termination of the charter contract, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the District. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools.

The School is considered a component unit of the District and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units 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.

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
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A Charter School and Component Unit of the
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Notes to Financial Statements
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government-wide financial statements report 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 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 government-wide financial statements of the School consist of governmental activities. The School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") finance most of these activities.

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, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based on the purpose for which they are spent and the means by which spending activities are controlled. The fund in the financial statements of this report is the General Fund. It is the School's primary operating fund and accounts for all financial resources not required to be accounted for in another fund. For purposes of these statements, the General Fund constitutes a major fund.

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 reported using the accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred, regardless of the timing the related cash flows take place.

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
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Notes to Financial Statements
(continued)

The governmental funds basic financial statements are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from the acquisition of long-term debt are reported as other financing sources.

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level.

Cash and Cash Equivalents

All cash received by the School is maintained in a demand deposit account. For purposes of presentation on the Statement of Net Position and the Balance Sheet – Governmental Fund.

Under current regulations, deposit accounts are insured by the FDIC up to \$250,000 per insured institution. The School currently holds its deposit accounts at one institution. At June 30, 2016, these accounts total \$818,800. Amounts deposited above the FDIC insured amount equal approximately \$568,800. The School does not anticipate any losses associated with their accounts.

Capital Assets and Depreciation

The School's capitalization threshold is \$1,000 overall and \$750 for federal expenditures. Capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation or amortization. Depreciation is computed using the straight-line method over three years for furniture, fixtures and equipment and three years for computer hardware and software. Amortization of leasehold improvements will be charged over the remaining life of the lease.

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
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A Charter School and Component Unit of the
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Notes to Financial Statements
(continued)

Net Position and Fund Balance Classifications

Government-Wide Financial Statements

Net Position is classified and reported in three components.

- Investment in capital assets, net of related debt – consists of capital asset net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted – consists of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted – all other amounts that do not meet the definition of “invested in capital assets, net of related debt” or “restricted”.

Fund Financial Statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in not spendable form.
- Restricted – fund balance classification includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- 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 Governance.
- Assigned – fund balance classification includes amounts that are intended to be used by the School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
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SUNED HIGH OF NORTH BROWARD

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Notes to Financial Statements
(continued)

This statement also clarifies the definition of the special revenue fund to denote that the special revenue may be used to account for the proceeds of specific revenue sources (other than trust for individual, private organizations or other governmental or for major capital projects) legally restricted to expenditures for specified purposes.

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for non-general funds to be classified as restricted fund balance. It is also possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education ("FDOE") for funding through the Florida Education Finance Program (FEFP). During the year, funding is adjusted to reflect the revised calculations by 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 District receives a 5% administrative fee for the first 250 students 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.

Income Taxes

The School 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. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

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The School 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. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The School regularly 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 the School 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 financial statements, as the School 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.

State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold. The School’s income tax returns for the tax years 2015, 2014 and 2013 are subject to examination by tax authorities and may change upon examination.

Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through October 10, 2017, which is the date the financial statements were available to be issued.

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Notes to Financial Statements
(continued)

3. RELATED PARTY TRANSACTIONS

In August 2014, the School was opened by the Board of Directors of Sunshine Charter Academy of Broward, Inc. SunEd High School in Oakland Park was opened in fiscal year 2013 and has been in operation for five years. During the routine course of business, invoices and payroll which apply to both schools may be paid by a single entity. The amounts are reimbursed to appropriate school. Also, the school with surplus funds may loan amount to the other related school. The School tracks these amounts due to or from each related entity or school separately. Amounts due to related parties as of June 30, 2016 totaled \$972,138 to SunEd High School. During the current year, the intercompany was reclassified from short term to long term. Additionally, the Board of Directors passed a resolution forgiving approximately one-third (\$324,138) of the intercompany payable at June 30, 2017, one-third (\$324,000) at June 30, 2018 and the remaining balance (\$324,000) at June 30, 2019. These amounts are included in the other revenues accompanying statements of net position and balance sheet – governmental fund.

4. FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States (GAAP) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an assets or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

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Notes to Financial Statements
 (continued)

This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School's significant financial instruments are cash, accounts receivable, accounts payable, short term borrowings, and other short term assets and liabilities. For these financial instruments (Level 1), carrying values approximate fair value because of the short maturity of these instruments.

5. OTHER CURRENT ASSETS

Fifty-six percent (56%) of other current assets are comprised of security deposits of \$41,468. The remaining forty-four percent (44%) of current assets are represented by \$10,141 (14%) prepaid insurance and \$22,521 (30%) prepaid rent and other expenses related to the facility.

6. CAPITAL ASSETS AND DEPRECIATION - For the year ended June 30, 2016, the School's capital assets consisted of the following:

	Beginning Balance	Additions	Ending Balance
Capital assets being depreciated:			
Furniture, fixtures and equipment	\$ 48,478	\$ -	\$ 48,478
Computer hardware	35,590	-	35,590
Computer software	3,606	-	3,606
Leasehold improvements	377,767	13,894	391,661
Total	465,441	13,894	479,335
Less accumulated depreciation:			
Furniture, fixtures and equipment	(24,246)	(16,164)	(40,410)
Computer hardware	(17,802)	(11,868)	(29,670)
Computer software	(1,800)	(1,200)	(3,000)
Leasehold improvements	(151,107)	(79,031)	(230,138)
Total	(194,955)	(108,263)	(303,218)
Net capital assets	\$ 270,486	\$ (94,369)	\$ 176,117

Depreciation expense of \$108,263 was allocated and charged to the functions listed below in the accompanying Statement of Activities.

Instruction	\$ 29,232
Operations	79,031

Total depreciation expense \$ 108,263
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Notes to Financial Statements
 (continued)

7. DUE TO RELATED PARTY

The Board of Directors of Sunshine Charter Academy of Broward, Inc. received approval from the School District of Broward County to operate this school as its second school in the district. SunEd High of North Broward opened on August 18, 2014 in Margate. At June 30, 2017, ninety-eight percent (98%) of total liabilities are comprised of \$648,000 of long term debt payable to Sunshine Charter Academy of Broward, Inc. *dba* SunEd High School. These monies were spent by Sunshine Charter Academy of Broward, Inc. *dba* SunEd High School during fiscal year 2015, the School's first year of operations. The board has entered into an agreement to forgive this note to the related party ratably over a period of three years. 2017 is the first year of forgiveness in the amount of approximately \$324,000.

8. SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

For the year ended June 30, 2017, state and local revenues were received as follows:

Florida Education Finance Program	\$ 1,279,603
Class size reduction	277,884
Discretionary millage	131,618
Capital outlay	104,824
Student transportation	80,348
Supplemental academic instruction	60,173
ESE guaranteed allocation	54,233
Instructional materials	22,718
Reading allocation	12,394
Safe schools	6,507
Digital classrooms allocation	5,224
Discretionary lottery	4,815
Prior year CSR reallocation/restoration of funds	80
Proration to appropriation	<u>(723)</u>
Total	<u>\$ 2,039,698</u>

The administration fee paid to the District during the year ended June 30, 2017 totaled \$81,213 based on 5% up to 250 students. The fee is reflected as central services in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund. The difference in fees between 5% of all students and 5% of 250 students is required to be spent on capital outlay. During fiscal year 2017, that difference of \$15,531 was applied to rent.

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
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A Charter School and Component Unit of the
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Notes to Financial Statements
(continued)

9. EDUCATIONAL MANAGEMENT PROVIDERS

The Board of Directors entered into a contract with an educational management company, A Plus Resource Group, LLC (“A+”) to provide business and educational oversight services to the School. The Board of Directors operates the School independently. A+ works with the Principal to manage the School on a day-to-day basis. The Principal oversees academics and A+ oversees all other operations. A+’s continuing fee is based upon 15% of gross revenues received from the District through the Florida Education Finance Program. The administration fee paid to A+ during the year ended June 30, 2017 totaled \$290,122. The fee is reflected as school administration in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund.

10. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School is in compliance with coverage parameters dictated by the charter contract with the District.

11. CONTINGENCIES

Legal matters

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

Grants

The School participates in state and federal grant programs which are governed by various rules and regulation of the grantor agencies. Cost charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at year end may be impaired.

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

Lease commitments

Effective May 2014, the School entered into a 5-year lease agreement for its facility under a noncancelable operating lease. The lease expires June 30, 2019. The lease offers 1 renewal term option for another 5-year term. The lease requires the School to pay initial base rent of \$20,000 per month with a minimum 3% increase each May for the term of the lease. For fiscal year 2016, total expense related to the facility lease amounted to \$242,324.

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Future minimum payments under this lease agreement, as well as future minimum payments under lease agreements for SunEd High of North Broward (Margate) and SunEd High School (Oakland Park) are as follows:

	SunEd High of North Broward MARGATE	SunEd High School OAKLAND PARK	TOTAL
2018	\$ 263,566	\$ 300,000	\$ 563,566
2019	271,473	300,000	571,473
2020	-	309,000	309,000
2021	-	309,000	309,000
2022	-	309,000	309,000
	\$ 535,039	\$ 1,527,000	\$ 2,062,039

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Required Supplementary Information

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State and local sources	\$ 1,900,000	\$ 1,950,000	\$ 2,039,698	\$ 15,126
Other Revenues	-	3,000	327,978	(840)
Total revenues	<u>2,000,000</u>	<u>1,953,000</u>	<u>2,367,676</u>	<u>14,286</u>
EXPENDITURES				
Current:				
Instruction	455,000	600,000	572,890	27,110
Instructional support services	60,000	55,000	75,773	(20,773)
Board	70,000	60,000	51,899	8,101
School administration	560,000	570,000	577,029	(7,029)
Central services	80,000	80,000	81,213	(1,213)
Pupil transportation services	75,000	82,000	80,900	1,100
Operation of plant	325,000	365,000	326,080	38,920
Maintenance of plant	15,000	16,000	11,545	4,455
Capital outlay	-	-	13,894	(13,894)
Total expenditures	<u>1,640,000</u>	<u>1,828,000</u>	<u>1,791,223</u>	<u>36,777</u>
Excess of revenues over expenditures	360,000	125,000	576,453	451,453
OTHER FINANCING SOURCE (USE)				
Proceeds from issuance of debt	-	-	648,000	648,000
Net change in fund balance	360,000	125,000	1,224,453	1,099,453
Fund (deficit) at beginning of year	(334,636)	(334,636)	(334,636)	-
Fund balance (deficit) at end of year	<u>\$ 25,364</u>	<u>\$ (209,636)</u>	<u>\$ 889,817</u>	<u>\$ 1,099,453</u>



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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 Sunshine Charter Academy of Broward, Inc. *dba* SunEd High of North Broward, a Charter School and Component Unit of the District School Board of Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund for the Sunshine Charter Academy of Broward, Inc. *dba* SunEd High of North Broward (the "School"), a charter school and component unit of the District School Board of Broward County, Florida, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 10, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

This report is intended solely for the information and use of management of the School, the District School Board of Broward County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

MC CRADY HESS

Orlando, Florida
October 10, 2017

**ADDITIONAL INFORMATION REQUIRED BY RULES OF
THE AUDITOR GENERAL, CHAPTER 10.850
*AUDITS of CHARTER SCHOOLS and SIMILAR ENTITIES***



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CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of Sunshine Charter Academy of Broward, Inc. *dba* SunEd High of North Broward, a Charter School and Component Unit of the District School Board of Broward County, Florida

Report on the Financial Statements

We have audited the financial statements of Sunshine Charter Academy of Broward, Inc. *dba* SunEd High of North Broward (the “School”) as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated October 10, 2017.

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.

Other Reports and Schedules

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, required 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 are no prior audit findings to report upon.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Sunshine Charter Academy of Broward, Inc. *dba* SunEd High of North Broward.

Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School 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, require that we applied financial condition assessment procedures for the School. It is management’s responsibility to monitor the School’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not 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, the Broward County School Board, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

MC CRADY HESS

Orlando, Florida
October 10, 2017