

**SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
d/b/a SUNED HIGH SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORTS THEREON**

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2013**



M^CCRADY | HESS | RUTH
CERTIFIED PUBLIC ACCOUNTANTS

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SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
d/b/a SUNED HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The discussion and analysis of the financial performance of Sunshine Charter Academy of Broward, Inc. d/b/a SunEd High School (the "School") provides an overall review of the School's financial activities for the year ended June 30, 2013. 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, 2013 represents the first year of operations for the School. Operations of the School are under direct control of the governing board. The governing board uses the expertise of various consultants including, but not limited to, in the fields of educational management, grant and erate applications, insurance, accounting, etc.

FINANCIAL HIGHLIGHTS

The assets of the School exceeded its liabilities at the close of the fiscal year by \$424,496 (net position). This is a direct result of careful, conservative cash management decisions made by the governing board throughout the initial year of operations. Revenues from state and local sources were nearly \$2,025,000 while expenditures in the government-wide statements were less than \$1,500,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to School's basic financial statements. The School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information to enhance the readers in understanding of the financial condition of School. This document also includes the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, Audits of Charter Schools and Similar Entities.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and the current year changes. The net position is the difference between the School's total assets and total liabilities. Measuring the net position is one way to evaluate the School's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities and 3) component units. The governmental activities include the School's basic services. The business-type activities are those that the School charges for certain services. For the year ended June 30, 2013, the School had no business-type activities or component units.

SUNSHINE CHARTER ACADEMY OF BROWARD, INC.
d/b/a SUNED HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
(continued)

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a group or related accounts used to maintain control over resources segregated for specific activities or objectives. All of the operations of the School are presented in governmental funds only.

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities. The School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what money left at year-end which is available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view of the financial resources available to finance the School's programs. The relationship between government activities (reported in the Statement of Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for its general fund, as required by the Florida Statutes. The budget is a legally adopted by management of the School and its Board. A budgetary comparison schedule has been included as part of the required supplementary information. The budgetary comparison schedule shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges and ending balances in the general, and 4) the variance between the final budget and the actual resources and charges.

Notes to Financial Statements

The notes to financial statements provide additional information essential to the full understanding of the information reported in the government-wide and fund financial statements. The notes to the financial statements start on pages 15 of this report.

SUNSHINE CHARTER ACADEMY, INC.
d/b/a SUNED HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)

GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

Net Position

The table below provides a summary of the School's net position for fiscal year 2013.

	<u>2013</u>
Assets	
Current assets	\$ 490,891
Capital assets, net	<u>90,963</u>
Total assets	<u>\$ 581,854</u>
Liabilities	
Current liabilities	<u>\$ 157,358</u>
Net position	
Invested in capital assets	90,963
Unrestricted	<u>333,533</u>
Total net position	<u><u>\$ 424,496</u></u>

The School's significant cash balance is the direct result of conservative fiscal management of operational expenses throughout the year. Net capital assets are represented primarily by computer workstations, tables and chairs. Current liabilities are primarily comprised of accrued management consulting fees.

The School has been in operations for one year; therefore, a comparative government-wide financial analysis is not presented.

SUNSHINE CHARTER ACADEMY, INC.
d/b/a SUNED HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)

Change in Net Position

The table below shows the summary of changes in net position, revenues and expenses for fiscal year 2013.

	2013
Revenues	
State and local sources	\$ 2,025,414
Total revenues	2,025,414
 Expenses	
Instruction	389,264
Pupil personnel services	41,907
Instructional staff training services	1,229
Instruction related technology	30,000
Board	76,787
General administration	221,482
School administration	197,032
Facilities acquisition	710
Pupil transportation services	97,714
Operation of plant	383,460
Maintenance of plant	29,812
Interest expense	12,600
Total expenses	1,481,997
Change in net position	\$ 543,417

Total revenues were earned by the School's ability to maintain a high average enrollment during FY2013. Expenses were held to approximately 75% of revenues during the initial year of operation due to careful fiscal oversight throughout the year by the Board of Directors with the assistance of expert consultants.

The School has been in operations for one year; therefore, a comparative statement of activities analysis is not presented.

SUNSHINE CHARTER ACADEMY, INC.
d/b/a SUNED HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)

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. As of the end of the current fiscal year, the School's governmental funds reported a combined ending unassigned fund balance of \$302,162.

Budgetary Highlights

The School prepared an annual budget based on the expected funded enrollment figure for the School's initial school year. The budget was revised once the School's final full-time equivalent enrollment was determined based on the required count dates.

This fiscal year was the first year of the School's 5-year contract. The School's final general fund budget estimated \$396,000 carryover for the following year. Actual results produced a carryover of \$326,454.

Revenues, primarily monies from the Florida Education Finance Program ("FEFP"), were \$1,400 more than projected while total operating expenses were approximately \$45,000 more than estimated.

Capital Assets

At the end of fiscal year 2013, the School had \$90,963 invested in capital assets, net of accumulated depreciation. The capitalization threshold for classification of long-term assets is \$1,000. The table below shows the balance of capital assets for the current year, net of accumulated depreciation of approximately \$18,000.

	2013
Furniture and equipment	\$ 50,329
Computer hardware	53,721
Leasehold improvements	4,967
Total capital assets	<u>109,017</u>
Accumulated depreciation	<u>(18,054)</u>
Total	<u>\$ 90,963</u>

This year's major capital asset additions included the following:

- 160 Instructional computers - \$80,903

For more information of capital assets, see Note 4 in the Notes to the Basic Financial Statements.

SUNSHINE CHARTER ACADEMY, INC.
d/b/a SUNED HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)

Current Financial Statements

It was not until late spring 2012 that the State Department of Education overruled the School District of Broward County's original application denial by approving the School's application on appeal. The School took possession of their facility at the beginning of August 2012 and opened with strong initial enrollment figures by the end of August. The Board of Directors successfully managed cash flow throughout the year resulting in significant addition to fund balance and financial stability. Additionally, the school is accredited by the Southern Association of Colleges and Schools ("SACS") within its first year.

The Board of Directors of the School provided day-to-day management services including facilities, equipment, technology, operational support services, personnel management, and coordinating consulting services.

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, President, Board of Directors – Sunshine Charter Academy, d/b/a SunEd High School at (954) 678-3939; 2360 West Oakland Park Boulevard, Oakland Park, Florida 33311.



Report of Independent Auditors on Basic Financial Statements and Supplementary Information

To the Board of Directors of Sunshine Charter Academy of Broward, Inc.
d/b/a SunEd High School,
A Charter School and Component Unit of the
District School Board of Broward County, Florida

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Sunshine Charter Academy of Broward, Inc. d/b/a SunEd High School (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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund of the School and the aggregate remaining fund information as of June 30, 2013, 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.

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 1-6 and page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 + RUTH

Maitland, Florida
September 27, 2013

2600 Lake Lucien Drive, Suite 405 ■ Maitland, FL 32751

Office 407-478-4020 ■ Fax 407-478-4021 ■ cpa@mhrcpas.com ■ www.mhrcpas.com

**SUNSHINE CHARTER ACADEMY, INC.
d/b/a SUNED HIGH SCHOOL**

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

Statement of Net Position

June 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 459,070
Other receivables	450
Other assets	31,371
Capital assets:	
Leasehold improvements	4,967
Furniture, fixtures and equipment	104,050
Less accumulated depreciation	<u>(18,054)</u>
Total capital assets, net	<u>90,963</u>
Total assets	<u><u>\$ 581,854</u></u>
Liabilities	
Accounts payable and accrued expenses	<u>\$ 157,358</u>
Total liabilities	<u>157,358</u>
Net Position	
Invested in capital assets, net of related debt	90,963
Unrestricted	<u>333,533</u>
Total net position	<u><u>\$ 424,496</u></u>

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

**SUNSHINE CHARTER ACADEMY, INC.
d/b/a SUNED HIGH SCHOOL**

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

Statement of Activities

June 30, 2013

	<u>Program Specific Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction	\$ 389,264	\$ -	\$ -	\$ -	\$ (389,264)	\$ (389,264)
Pupil personnel services	41,907	-	-	-	(41,907)	(41,907)
Instructional staff training	1,229	-	-	-	(1,229)	(1,229)
Instructional related technology	30,000	-	-	-	(30,000)	(30,000)
Board	76,787	-	-	-	(76,787)	(76,787)
General administration	221,482	-	-	-	(221,482)	(221,482)
School administration	197,032	-	-	-	(197,032)	(197,032)
Facilities acquisition	710	-	-	-	(710)	(710)
Transportation	97,714	-	-	-	(97,714)	(97,714)
Operation of plant	383,460	-	-	-	(383,460)	(383,460)
Maintenance of plant	29,812	-	-	-	(29,812)	(29,812)
Interest	12,600	-	-	-	(12,600)	(12,600)
Total primary government	\$ 1,481,997	\$ -	\$ -	\$ -	(1,481,997)	(1,481,997)
General revenues:						
State and local sources					2,025,414	2,025,414
Total general revenues					2,025,414	2,025,414
Changes in net position					543,417	543,417
Net position at beginning of year					(118,921)	(118,921)
Net position at end of year					\$ 424,496	\$ 424,496

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

**SUNSHINE CHARTER ACADEMY, INC.
d/b/a SUNED HIGH SCHOOL**

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

Balance Sheet - Governmental Fund

June 30, 2013

	General Fund
Assets	
Cash and cash equivalents	\$ 459,070
Other receivables	450
Other assets	31,371
	<hr/>
Total assets	\$ 490,891
	<hr/> <hr/>
Liabilities	
Accounts payable and accrued expenses	\$ 157,358
	<hr/>
Total liabilities	157,358
	<hr/>
Fund Balance	
Nonspendable:	
Deposits	31,371
Spendable:	
Unassigned	302,162
	<hr/>
Total fund balance	333,533
	<hr/>
Total liabilities and fund balance	\$ 490,891
	<hr/> <hr/>

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

**SUNSHINE CHARTER ACADEMY, INC.
d/b/a SUNED HIGH SCHOOL**

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

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position**

June 30, 2013

Total fund balance - general fund	\$ 333,533
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the capital assets are \$109,017 and the accumulated depreciation is \$18,054.

90,963
<hr/>

Statement of net position - governmental activities

\$ 424,496
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The accompanying notes to financial statements are an integral part of this statement.

**SUNSHINE CHARTER ACADEMY, INC.
d/b/a SUNED HIGH SCHOOL**

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

**Statement of Revenues, Expenditures and
Change in Fund Balance of Governmental Funds**

For the Year Ended June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
State and local sources	\$ 2,025,414	\$ -	\$ 2,025,414
Total revenues	2,025,414	-	2,025,414
Expenditures			
Current:			
Instruction	372,489	-	372,489
Pupil personnel services	41,907	-	41,907
Instructional staff training	1,229	-	1,229
Instructional related technology	30,000	-	30,000
Board	76,787	-	76,787
General administration	220,913	-	220,913
School administration	197,032	-	197,032
Transportation	97,714	-	97,714
Operation of plant	383,460	-	383,460
Maintenance of plant	29,812	-	29,812
Debt service:			
Principal	-	126,000	126,000
Interest	-	12,600	12,600
Capital outlay	109,017	-	109,017
Total expenditures	1,560,360	138,600	1,698,960
Excess (deficiencies) of revenue over expenditures	465,054	(138,600)	326,454
Other Financing Sources (Uses)			
Operating transfer in	-	138,600	138,600
Operating transfer out	(138,600)	-	(138,600)
Total other financing sources	(138,600)	138,600	-
Net change in fund balance	326,454	-	326,454
Fund balance at beginning of year	7,079	-	7,079
Fund balance at end of year	\$ 333,533	\$ -	\$ 333,533

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

SUNSHINE CHARTER ACADEMY, INC.
d/b/a SUNED HIGH SCHOOL

**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 Balance of Governmental Funds
to the Statement of Activities**

For the Year Ended June 30, 2013

Net changes in fund balance - general fund	\$	326,454
 Amounts reported for governmental activities in the statement of activities are different because:		
 Governmental funds report capital outlays as expenditures. 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 (\$109,017) exceeds depreciation expense (\$18,054) in the current period.		
		90,963
 Principal payments on long-term liabilities are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.		
		<u>126,000</u>
Change in net position of governmental activities	\$	<u><u>543,417</u></u>

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

**Sunshine Charter Academy of Broward, Inc.
d/b/a SunEd High**

**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, 2013

1. DESCRIPTION OF SCHOOL AND REPORTING ENTITY

Sunshine Charter Academy dba SunEd High School (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 Board of Directors directly manages the day-to-day operations of the School, which is explained in Note 7. 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 awarded in June 2012, subsequent to appeal to the Florida Department of Education, for the five years beginning July 1, 2012 through June 30, 2017. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

SUNSHINE CHARTER ACADEMY, INC.
d/b/a SUNED HIGH SCHOOL

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

**Notes to Financial Statements
(continued)**

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 information about the School as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School's assets 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 as follows:

Governmental Fund:

- General Fund - to account for all financial resources not required to be accounted for in another fund.
- Debt Service Fund – to account for the accumulation of resources for, and payment of general long-term debt principal, interest and related cost.

For the purpose of these statements, the general fund is considered a major fund. The debt-service fund is a non-major fund and reported as other governmental funds.

Basis of Accounting

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

The government-wide financial statements are reported using the accrual basis of accounting. Under this method, 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.

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 collectible within a current period. The School considers revenues to be available if they are collected within sixty 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

A budget is presented in the modified accrual basis of accounting and the governing board must approve ball budgets and amendments. During the fiscal year, expenditures were controlled at the object level. Budgets may be amended by resolution of the Board prior to the date of the annual report

Cash and Cash Equivalents

All cash received by the School is maintained in demand deposit accounts. For purposes of presentation on the Statement of Net Position and the Balance Sheet – Governmental Fund, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

Under current regulations, non-interest bearing cash deposits at FDIC-insured institutions are fully insured through December 31, 2013. All cash and cash equivalent accounts held by the School are non-interest bearing and therefore, fully insured by the FDIC as of June 30, 2013.

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. Depreciation is computed using the straight-line method over three years for furniture and equipment, three years for computer software and over the remaining life of the lease for leasehold improvements. Since fiscal 2013 is the initial year of operations for the School, expenditures related to furniture, equipment and computer hardware have been aggregated and depreciated over 3 years using straight-line convention.

Recently Issued Accounting Principles

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of the Statement are effective for financial statements for periods beginning after December 15, 2011.

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 assets 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 – consist of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations or other governments.
- Unrestricted – all other amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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 category 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.

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 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 FEFP. Funding for the School is adjusted during the year 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 enrollees 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. The difference between 5% of all enrollees and the first 250 enrollees must be spent on capital outlay.

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the year ended June 30, 2013, the School reported 354 unweighted FTE.

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.

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 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. Since this is the initial year, there are no income tax returns available for 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 September 27, 2013, which is the date the financial statements were available to be issued.

Effective July 1, 2013, the Board of Directors has entered into an agreement with Number1 Services, Inc. to manage the day-to-day operations of the School.

3. OTHER CURRENT ASSETS

Prepaid rent of \$25,000 represents the largest component in other current assets. The amount will be applied to rent for July 2013. The balance is comprised of \$5,040 security deposits and \$1,781 prepaid expenses.

4. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2013, the School's capital assets consisted of the following:

	Beginning Balance	Additions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>
Capital Assets:			
Furniture, fixtures and equipment	\$ -	\$ 50,329	\$ 50,329
Computer hardware	-	53,721	53,721
Leasehold improvements	-	4,967	4,967
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ -</u>	<u>\$ 109,017</u>	<u>\$ 109,017</u>
Accumulated Depreciation:			
Furniture, fixtures and equipment	\$ -	\$ (8,390)	\$ (8,390)
Computer hardware	-	(8,954)	(8,954)
Leasehold improvements	-	(710)	(710)
	<u> </u>	<u> </u>	<u> </u>
Total accumulated depreciation	<u>\$ -</u>	<u>\$ (18,054)</u>	<u>\$ (18,054)</u>
Net Capital Assets	<u>\$ -</u>	<u>\$ 90,963</u>	<u>\$ 90,963</u>

Depreciation expense of \$18,054 was allocated and charged to the listed function in the accompanying Statement of Activities.

Instruction	\$ 16,775
School Administration	569
Operation of Plant	<u>710</u>
Total	<u>\$ 18,054</u>

5. NOTES PAYABLE

The School entered into three notes payables to the School's founding members in May 2012 to assist in funding the start-up operating costs. The terms of the notes required monthly principal payments commencing July 2012 through February 2013 in the amount of \$5,000, per note. The notes matured March 2013 and required a final payment of the outstanding principal balance and interest in the amount of \$4,200, per note. For the year ended June 30, 2013, all notes payables were satisfied and the School incurred interest of \$12,600.

6. SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

For the year ended June 30, 2013, state and local revenues were received from the District as follows:

Florida Education Finance Program	\$ 1,330,623
Class Size Reduction	335,509
Discretionary millage	126,083
Supplemental Academic Instruction	70,503
Student Transportation	62,963
ESE Guaranteed Allocation	62,477
Instructional Materials	24,795
Safe Schools	8,179
School Reading Allocation	7,172
Professional Development Reimbursement	2,031
Florida Teacher LEAD Program	1,045
Prorated Holdback / VETO / Adjustment	<u>(5,966)</u>
Total State and Local Revenue	<u>\$ 2,025,414</u>

The administration fee paid to the District during the year ended June 30, 2013 totaled \$71,482 based on 5% up to 250 students. The fee is reflected as general administration in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. 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 2013, that difference of \$29,737 was all spent on capital outlay as required.

7. 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.

8. EDUCATIONAL MANAGEMENT PROVIDERS

For the fiscal year ended June 30, 2013, the Board of Directors managed the day-to-day operations of the School directly. The Board of Directors relied upon expertise from several consulting specialists. The fee of \$150,000 to Number1, Inc. is reflected as General Administration in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. As of June 30, 2013, the amount of \$121,400 is due to Number1, Inc.

9. CONTINGENCIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations 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.

Legal matters

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

Lease commitments

On May 20, 2012, the School entered into a 5 year lease agreement for its facility under a noncancelable operating lease beginning on the 1st day of August 2012 and ending on the 30th day of June, 2017. The lease requires the School to pay insurance and other operating costs.

Future minimum payments under this lease agreement are as follows:

Year ended June 30th	
2014	\$ 300,000
2015	300,000
2016	300,000
2017	300,000
2018	300,000
	<hr/>
Total lease payments	<u>\$1,500,000</u>

**Sunshine Charter Academy of Broward, Inc.
d/b/a SunEd High**

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

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State and local sources	\$ 2,099,523	\$ 2,024,000	\$ 2,025,414	\$ 1,414
Total revenues	<u>2,099,523</u>	<u>2,024,000</u>	<u>2,025,414</u>	<u>1,414</u>
Expenditures				
Current:				
Instruction	863,956	450,000	372,489	77,511
Pupil personnel services	56,742	60,000	41,907	18,093
Instructional staff training services	1,600	12,000	1,229	10,771
Instructional related technology	122,183	30,000	30,000	-
Board	2,300	70,000	76,787	(6,787)
General administration	335,793	132,000	220,913	(88,913)
School administration	200,933	245,000	197,032	47,968
Transportation	-	100,000	97,714	2,286
Operation of plant	510,166	380,000	383,460	(3,460)
Maintenance of plant	1,500	30,000	29,812	188
Capital outlay	-	-	109,017	(109,017)
Total expenditures	<u>2,095,173</u>	<u>1,509,000</u>	<u>1,560,360</u>	<u>(51,360)</u>
Excess of revenues over expenditures	<u>4,350</u>	<u>515,000</u>	<u>465,054</u>	<u>52,774</u>
Other Financing Sources (Uses)				
Operating transfer out	-	-	(138,600)	(138,600)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(138,600)</u>	<u>(138,600)</u>
Net change in fund balances	4,350	515,000	326,454	(85,826)
Fund balance at beginning of year	<u>7,079</u>	<u>7,079</u>	<u>7,079</u>	<u>21,237</u>
Fund balance at end of year	<u>\$ 11,429</u>	<u>\$ 522,079</u>	<u>\$ 333,533</u>	<u>\$ (64,589)</u>

See report of independent auditors.



**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.
d/b/a SunEd High School,
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, its major fund and the aggregate remaining fund information for the Sunshine Charter Academy of Broward, Inc. d/b/a SunEd High School (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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 27, 2013.

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.

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 the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

2013-1 Formal Policies and Procedures Regarding Supporting Documentation: During our audit procedures, there were certain instances identified where additional supporting documentation should have been maintained to support transactions and events of the School. However, management was able to provide for certain information requested. We recommend that management prepare formal policies and procedures to ensure supporting documentation is maintained and available upon request.

The School's response to our finding identified in our audit is described in the accompanying Management's Response to Audit Finding on page 30. We did not audit the School's response and, accordingly, express no opinion on it.

Purpose of this Report

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

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.

MAC CRADY, HESS + RUTH

Maitland, Florida
September 27, 2013

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



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

To the Board of Directors of Sunshine Charter Academy of Broward, Inc.
d/b/a SunEd High School,
A Charter School and Component Unit of the
District School Board of Broward County, Florida

We have audited the financial statements of the governmental activities, its major fund and the aggregate remaining fund information of Sunshine Charter Academy of Broward, Inc. d/b/a SunEd High School (the "School") as of and for the year ended June 30, 2013, and have issued our report thereon dated September 27, 2013.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 27, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. As this is the initial audit for the School, there is no preceding annual financial audit report.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires a statement be included as to whether or not the charter school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition 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.
- 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 made a certain recommendation to improve the financial management of the School. Please refer to 2013-01 in the accompanying 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* on pages 25-26.

- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contract 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. Please see finding 2013-01 on page 26 and management's response on page 30.
- Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the school. The official title is Sunshine Charter Academy, Inc. d/b/a SunEd High School.
- Pursuant to Sections 10.854(1)(3)6.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. 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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General and applicable management and is not intended to be and should not be used by anyone other than these specific parties.

MC CRADY, HESS + RUTH

Maitland, Florida
September 27, 2013

2600 Lake Lucien Drive, Suite 405 ■ Maitland, FL 32751

Office 407-478-4020 ■ Fax 407-478-4021 ■ cpa@mhrcpas.com ■ www.mhrcpas.com