

**Ben Gamla Preparatory Charter High School
W/L #: 5182**

(A Charter School and Component Unit
of the School Board of Broward County, Florida)
Hollywood, Florida

Financial Statements and
Independent Auditors' Report
June 30, 2018

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Ben Gamla Preparatory Charter High School
(A charter school under The National Ben Gamla Charter School Foundation, Inc.)

W/L #: 5182

2650 Van Buren Street
Hollywood, Florida 33020

2017-2018

BOARD OF DIRECTORS

Debra Klein, Director and Chair
Daniel Fernandez, Director and Secretary
Henry Ellenbogen, Director
Marcus Jadote, Director
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SCHOOL ADMINISTRATION

Gayle Iacono, Principal



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ben Gamla Preparatory Charter High School
Hollywood, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ben Gamla Preparatory Charter High School (the "School"), a charter school under The National Ben Gamla Charter School Foundation, Inc., which is a component unit of the District School Board of Broward County, as of, and for the year ended June 30, 2018, 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.

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 of America. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund balance of Ben Gamla Preparatory Charter High School as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Ben Gamla Preparatory Charter High School as of June 30, 2018, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of The National Ben Gamla Charter School Foundation, Inc. These financial statements do not purport to and do not present fairly the financial position of The National Ben Gamla Charter School Foundation, Inc. as of June 30, 2018 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 28 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 28, 2018, 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, 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 Schools' internal control over financial reporting and compliance.

HUB Gravier, LLP

Coral Gables, Florida
September 28, 2018

CERTIFIED PUBLIC ACCOUNTANTS

Management's Discussion and Analysis
Ben Gamla Preparatory Charter High School
(A Charter School under The National Ben Gamla Charter School Foundation, Inc.)
June 30, 2018

The corporate officers of The National Ben Gamla Charter School Foundation, Inc. have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2018.

Financial Highlights

1. The net position of the School at June 30, 2018 was \$19,139.
2. At year-end, the School had current assets on hand of \$457,620.
3. The School had a decrease in its net position of \$101,374 for the year ended June 30, 2018.
4. The unassigned fund balance at year end was \$354,648.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2018 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School's assets and deferred outflows of resources and liabilities and deferred inflows of resources. The difference between the two is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 11 - 14 of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 15 – 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was \$19,139 at the close of the fiscal year. A summary of the School's net position as of June 30, 2018 and 2017 is as follows:

	2018	2017
Cash and cash equivalents	\$ 4,181	\$ 2,282
Investments	412,000	18,398
Prepaid expenses	27,806	40,090
Deposits and other receivables	9,658	
Due from other agencies	3,975	291,067
Due from other charter schools, long-term	50,000	127,234
Capital assets, net	339,783	508,972
Total Assets	847,403	988,043
Deferred outflows of resources	-	-
Accounts payable and accrued liabilities	1,764	9,923
Salaries and wages payable	63,744	44,790
Long term debt	308,272	-
Due to other divisions of The National Ben Gamla Charter School Foundation, Inc.	454,484	812,817
Total Liabilities	828,264	867,530
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	79,495	102,248
Unrestricted	(60,356)	18,265
Total Net Position	\$ 19,139	\$ 120,513

At the end of the fiscal year, the School reported a positive balance in total net position.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
REVENUES		
Program Revenues		
Operating grants and contributions	\$ -	\$ 290,863
Capital outlay funding	119,657	70,388
Lunch program	42,643	46,755
General Revenues		
Local sources (FTE and other non specific)	1,634,360	1,584,538
Other revenue	4,888	176
Total Revenues	<u>1,801,548</u>	<u>1,992,720</u>
EXPENSES		
Component Unit Activities:		
Instruction	810,262	865,869
Instructional staff training	707	4,235
Board	20,379	52,000
School administration	373,488	365,124
Fiscal services	37,800	37,500
Food services	51,220	62,471
Central services	55,204	60,886
Pupil transportation services	28,540	29,222
Operation of plant	499,265	441,659
Maintenance of plant	21,332	49,754
Debt service expense	4,725	-
Total Expenses	<u>1,902,922</u>	<u>1,968,720</u>
(Decrease) Increase in Net Position	(101,374)	24,000
Transfer in of Net Position	-	56,140
Net Position at Beginning of Year	120,513	40,373
Net Position at End of Year	<u>\$ 19,139</u>	<u>\$ 120,513</u>

The School's revenues and expenditures decreased by \$191,172 and \$65,708, respectively, as a result of a decrease in enrollment. The School had a decrease in net position of \$101,374 for the year.

Achievements

In 2018, Ben Gamla Preparatory High School completed its 3rd year of operations, serving 252 students. The school earned a letter grade of “B,” improving over its prior year’s grade.

The school’s vision is to create a community of learners that honors individual student needs, varied modalities of instruction, and nurtures character traits in an effort to cultivate in students a sense of responsibility and citizenship. The school's mission is to deliver a first-class academic program that offers a unique bilingual, bi-literate, and bicultural curriculum, which prepares students to have an edge in global competition through the study of Hebrew as a second language.

Graduates will leave the charter school with a sense of purpose, a belief in their own efficacy, a commitment to the common good, and a zest for learning..

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School’s financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

Most of the School’s operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School’s governmental general fund reported ending fund balance of \$392,112. The fund balance unassigned and available for spending at the School’s discretion is \$354,648. These funds will be available for the School’s future ongoing operations.

Capital Assets

The School’s investment in capital assets as of June 30, 2018 amounts to \$339,783 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Program Revenues			
State capital outlay funding	\$ 45,114	\$ 46,716	\$ 47,747
Local capital improvement revenue	70,120	70,981	71,910
Federal sources	36,870	38,917	39,098
Lunch program	3,100	3,400	3,545
General Revenues			
FTE nonspecific revenues	1,604,013	1,633,140	1,634,360
Charges and other revenues	4,000	4,500	4,888
Total Revenues	<u>\$ 1,763,217</u>	<u>\$ 1,797,654</u>	<u>\$ 1,801,548</u>
CURRENT EXPENDITURES			
Component Unit Activities			
Instruction	\$ 654,350	\$ 649,187	\$ 645,690
Instructional staff training	3,000	1,000	707
Board	21,250	20,911	20,379
School administration	375,525	374,519	373,488
Fiscal services	38,625	38,190	37,800
Food services	52,707	51,671	51,220
Central services	59,625	57,610	55,204
Pupil transportation services	42,000	30,187	28,540
Operation of plant	588,677	500,395	483,583
Maintenance of plant	18,000	22,109	21,332
Total Current Expenditures	<u>\$ 1,853,759</u>	<u>\$ 1,745,779</u>	<u>\$ 1,717,943</u>

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year.

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Broward, LLC, 6340 Sunset Drive, Miami, Florida 33143.

Ben Gamla Preparatory Charter High School
(A charter school under The National Ben Gamla Charter School Foundation, Inc.)

Statement of Net Position
June 30, 2018

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 4,181
Investments	412,000
Prepaid expenses	27,806
Deposits and other receivables	9,658
Due from other agencies	3,975
Total current assets	<u>457,620</u>
Capital assets, non-depreciable	-
Capital assets, depreciable	1,079,916
Less: accumulated depreciation	<u>(740,133)</u>
	<u>339,783</u>
Due from other charter schools	<u>50,000</u>
Total Assets	<u>847,403</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and accrued expenses	1,764
Salaries and wages payable	63,744
Current portion of long term debt	61,948
	<u>127,456</u>
Long term liabilities:	
Long term debt	246,324
Due to other divisions of The National Ben Gamla Charter School Foundation, Inc.	454,484
Total Liabilities	<u>828,264</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
Net Position:	
Net investment in capital assets	79,495
Unrestricted	<u>(60,356)</u>
Total Net Position	<u>\$ 19,139</u>

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

Ben Gamla Preparatory Charter High School
(A charter school under The National Ben Gamla Charter School Foundation, Inc.)

Statement of Activities
For the year ended June 30, 2018

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 810,262	\$ -	\$ -	\$ -	\$ (810,262)
Instructional staff training	707	-	-	-	(707)
Board	20,379	-	-	-	(20,379)
School administration	373,488	-	-	-	(373,488)
Fiscal services	37,800	-	-	-	(37,800)
Food services	51,220	3,545	39,098	-	(8,577)
Central services	55,204	-	-	-	(55,204)
Pupil transportation services	28,540	-	-	-	(28,540)
Operation of plant	499,265	-	-	119,657	(379,608)
Maintenance of plant	21,332	-	-	-	(21,332)
Debt service	4,725	-	-	-	(4,725)
Total governmental activities	1,902,922	3,545	39,098	119,657	(1,740,622)
General revenues:					
FTE and other nonspecific revenues					1,634,360
Investment earnings					4,888
Decrease in net position					(101,374)
Net position, beginning					120,513
Net position, ending					\$ 19,139

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

Ben Gamla Preparatory Charter High School
(A charter school under The National Ben Gamla Charter School Foundation, Inc.)

Balance Sheet - Governmental Funds
June 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 4,181	\$ -	\$ 4,181
Investments	412,000	-	412,000
Prepaid expenses	27,806	-	27,806
Deposits and other receivables	9,658	-	9,658
Due from other agencies	-	3,975	3,975
Due from fund	3,975	-	3,975
Total Assets	<u>457,620</u>	<u>3,975</u>	<u>461,595</u>
Deferred Outflows of Resources			
	-	-	-
<u>Liabilities</u>			
Salaries and wages payable	63,744	-	63,744
Accounts payable and accrued expenses	1,764	-	1,764
Due to fund	-	3,975	3,975
Total Liabilities	<u>65,508</u>	<u>3,975</u>	<u>69,483</u>
Deferred Inflows of Resources			
	-	-	-
<u>Fund balance</u>			
Nonspendable, not in spendable form	37,464	-	37,464
Unassigned	354,648	-	354,648
	<u>392,112</u>	<u>-</u>	<u>392,112</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 457,620</u>	<u>\$ 3,975</u>	<u>\$ 461,595</u>

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

Ben Gamla Preparatory Charter High School
(A charter school under The National Ben Gamla Charter School Foundation, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2018

Total Fund Balance - Governmental Funds \$ 392,112

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

Capital assets of \$1,079,916 net of accumulated depreciation of \$740,133 used in governmental activities are not financial resources and therefore are not reported in the fund. 339,783

Long term receivables of \$50,000 from other charter schools in governmental activities are not financial resources and therefore are not reported in the governmental funds. 50,000

Long term liabilities of \$762,756 were not due and payable in the current period and, therefore, are not reported in the funds. (762,756)

Total Net Position - Governmental Activities \$ 19,139

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

Ben Gamla Preparatory Charter High School
(A charter school under The National Ben Gamla Charter School Foundation, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
State passed through local	\$ 1,634,360	\$ -	\$ 1,634,360
State capital outlay funding	-	47,747	47,747
Local capital improvement revenue	-	71,910	71,910
Federal school lunch program	-	39,098	39,098
Lunch fees	-	3,545	3,545
Investment earnings	4,888	-	4,888
Total Revenues	1,639,248	162,300	1,801,548
Expenditures:			
Current			
Instruction	645,690	-	645,690
Instructional staff training	707	-	707
Board	20,379	-	20,379
School administration	373,488	-	373,488
Food services	-	51,220	51,220
Fiscal services	37,800	-	37,800
Central services	55,204	-	55,204
Pupil transportation services	28,540	-	28,540
Operation of plant	363,926	119,657	483,583
Maintenance of plant	21,332	-	21,332
Capital Outlay:			
Other capital outlay	11,064	-	11,064
Debt Service:			
Redemption of principal	-	25,062	25,062
Interest	-	4,725	4,725
Total Expenditures	1,558,130	200,664	1,758,794
Excess (deficit) of revenues over expenditures	81,118	(38,364)	42,754
Other financing sources (uses)			
Transfers in (out)	(38,364)	38,364	-
Long term debt from third parties	333,333	-	333,333
Long term advances from other divisions	50,000	-	50,000
Repayment of long-term advances	(408,333)	-	(408,333)
Net change in fund balance	17,754	-	17,754
Fund Balance at beginning of year	374,358	-	374,358
Fund Balance at end of year	\$ 392,112	\$ -	\$ 392,112

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

Ben Gamla Preparatory Charter High School
(A charter school under The National Ben Gamla Charter School Foundation, Inc.)

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, 2018

Net Change in Fund Balance - Governmental Funds \$ 17,754

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 as depreciation expense. This is the amount by which capital outlays of \$11,064 differed from depreciation expense of \$180,253. (169,190)

The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of \$433,395 exceeded proceeds of \$383,333. 50,062

Change in Net Position of Governmental Activities \$ (101,374)

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Ben Gamla Preparatory Charter High School (the "School"), is a component unit of the School Board of Broward County, Florida (the "District"). The Schools' charter is held by The National Ben Gamla Charter School Foundation, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of The National Ben Gamla Charter School Foundation, Inc., which is composed of five members and also governs other charter schools. The board has determined that no component units exist that would require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Broward County, Florida. The current charter expires on June 30, 2020 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

Effective July 1, 2018, the charter school contract between the School Board of Broward County and The National Ben Gamla Charter School Foundation, Inc., on behalf of the School, Ben Gamla Preparatory Charter High School (W/L #5182) was amended to consolidate the charter of the School with the charter of Ben Gamla Charter Preparatory Academy (W/L #5204) into one charter serving grades six through twelfth grade, commencing with the 2018-2019 school year. This consolidation will conclude the agreement between the District and Ben Gamla Charter Preparatory Academy (W/L#5182). In addition, as of July 1, 2018, the name of the consolidated schools was changed to The Ben Gamla Preparatory Academy.

The School is located in Hollywood, Florida for students from ninth through twelfth grades. These financial statements are for the year ended June 30, 2018, when on average 252 students were enrolled for the school year.

Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information for the School as a whole. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds. Any internal inter-fund activity has been eliminated from the government-wide financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services, such as food service and student activity fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of sources, equity, revenues and expenditures. The School reports the following major governmental funds with all other non-major funds aggregated in a single column:

General Fund - is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Note 1 – Summary of Significant Accounting Policies (continued)

“Measurable” means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

The School has not adopted a formal deposit and investment policy that limits the School’s allowable deposits or investments addresses specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School has adopted GASB Codification Section *Fair Value Measurement and Application* (see Note 2).

Inter-fund Transfers

Inter-fund receivables/payables (“due from/to”) are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

The School operates one lunch site that is part of the charter holder National School Lunch program. During the year, the combined operations of all sites operated at a deficit that was funded by the general fund. Accordingly, any deficit or excess in an individual charter school is transferred to the general fund.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

The School’s property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with a cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Building and Improvements	5 Years
Furniture, Equipment, and Computers	5 Years
Textbooks and Software	3 Years

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. There is an opportunity to “cash out” unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days in order to cash out. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefits years.

The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Net position and Fund balance classifications

Government-wide financial statements

Equity is classified as net position and displayed in three (3) components:

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net positions with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. There are no restricted net positions at year end.
- c) Unrestricted net position - all other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

Fund financial statements

Under GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement 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 properly reported within one of the fund balance categories list below:

- a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of 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 not in spendable form assets.

Note 1 – Summary of Significant Accounting Policies (continued)

- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification 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. There are no assigned fund balances at year end.
- e) Unassigned - fund balance is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications.

Revenue Sources

Revenues for operations will be received primarily from the State through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) 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 the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

The School receives State funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities. In addition, the School receives a portion of the local capital improvement ad valorem tax revenues levied by the District.

Note 1 – Summary of Significant Accounting Policies (continued)

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 by adjusting journal entries. First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts).

Then any remaining fund balance amounts for the non-general funds are classified as unassigned fund balance. It is 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Income Taxes

The National Ben Gamla Charter School Foundation, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 28, 2018, which is the date the financial statements were available to be issued.

Note 2 – Cash, Cash Equivalents and Investments

Deposits

The School maintains its cash and cash equivalents in one financial institution. As of June 30, 2018, the School's deposits consisted of cash balances of \$4,574.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under The National Ben Gamla Charter School Foundation, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of The National Ben Gamla Charter School Foundation, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2018, bank balances in potential excess of FDIC coverage was approximately 4,574.

Note 2 – Cash, Cash Equivalents and Investments (continued)

Investments

The School categorizes its fair value measurements within the fair value hierarchy established by GASB Codification Section 3100 *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2018, the School had the following recurring fair value measurements:

- Government money market mutual fund of \$470,000 valued using Level 2 inputs.

The government money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of January 31, 2018, maturities of the fund's portfolio holdings are approximately 59% within 30 days.

Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated government money market mutual funds. The fund is rated Aaa-mf by Moody's.

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2018, the School did not hold any investments in government money market mutual funds.

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

Note 3 – Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the period ended June 30, 2018:

	Balance 07/01/17	Additions	Transfers In	Balance 06/30/18
Capital Assets, depreciable:				
Buildings and improvements	\$ 12,175	\$ -	\$ -	12,175
Computer equipment and software	321,372	3,301	-	324,673
Furniture, equipment and textbooks	735,305	7,763	-	743,068
Total Capital Assets, depreciable	<u>1,068,852</u>	<u>11,064</u>	<u>-</u>	<u>1,079,916</u>
Less Accumulated Depreciation:				
Buildings and improvements	(8,523)	-	-	(8,523)
Computer equipment and software	(189,377)	(54,172)	-	(243,549)
Furniture, equipment and textbooks	(361,980)	(126,081)	-	(488,061)
Total Accumulated Depreciation	<u>(559,880)</u>	<u>(180,253)</u>	<u>-</u>	<u>(740,133)</u>
Capital Assets, net	<u>\$ 508,972</u>	<u>\$ (169,189)</u>	<u>\$ -</u>	<u>\$ 339,783</u>

For the fiscal year ended June 30, 2018, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$ 164,572
Operation of plant	15,681
Total Depreciation Expense	<u>\$ 180,253</u>

Note 4 – Education Service and Support Provider

Academica Broward, LLC, an education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting, financial reporting and virtual education services. The agreement between the School and Academica Broward, LLC calls for a fee on a per student basis.

The agreement is with The National Ben Gamla Charter School Foundation, Inc. through June 30, 2021, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2018, the School incurred \$113,400.

Academica Broward, LLC is located at 6340 Sunset Drive, Miami, Florida 33143.

Note 5 –Transactions with Other Divisions of The National Ben Gamla Charter School Foundation, Inc.

During 2018, the School’s facility is shared with Ben Gamla Preparatory Academy (charter schools under The National Ben Gamla Charter School Foundation, Inc.). Through the board of directors, management allocates a proportionate share of leases, salaries, lunch receipts, food and supplies, and other expenses to each school individually based on student enrollment and usage of facilities and staff to this school.

The School’s lunch program is shared with various other charter schools under The National Ben Gamla Charter School Foundation, Inc. revenues and expenses related to such program have been allocated based on FTE equivalent for purposes of presentation in the financial statements.

The National Ben Gamla Charter School Foundation, Inc. charges its affiliated charter schools an assessment for shared corporate costs and accreditation expenses. The School paid The National Ben Gamla Charter School Foundation, Inc. \$49,550 in connection with these charges during the year.

The following schedule provides a summary of changes in long-term receivables for the year ended June 30, 2017:

	Balance 07/01/17	Additions	Transfers In	Balance 06/30/18
Due from Ben Gamla Charter School	\$ 50,000	\$ -	\$ -	\$ 50,000
Total Long Term Receivables	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>

During the year, the School received long-term advances from The National Ben Gamla Charter School Foundation, Inc. The following schedule provides a summary of changes in long term debt for the year ended June 30, 2018.

	Balance 07/01/17	Proceeds	Repayments	Balance 06/30/18
Due to Ben Gamla South Broward	\$ 77,817	\$ -	\$ -	\$ 77,817
Due to The National Ben Gamla Charter School Foundation, Inc.	735,000	50,000	(408,333)	376,667
Total Long Term Debt	<u>\$ 812,817</u>	<u>\$ 50,000</u>	<u>\$ (408,333)</u>	<u>\$ 454,484</u>

Note 6 – Commitments, Contingencies and Concentrations

The National Ben Gamla Charter School Foundation, Inc. ("Ben Gamla, Inc.") entered into a lease agreement with Van Buren Facility III, LLC for use of a portion of its premises including some ancillary facilities, outdoor areas and other improvements. The Landlord is an affiliate of the School's education service and support provider (See Note 4).

In accordance with the terms of the lease agreement, rental payments are based on \$412,234 for the first lease year (2016-2017); \$473,792 for the second lease year; and \$535,351 for each year thereafter. The fixed rent shall be adjusted annually based on the Consumer price Index (CPI). The agreement continues through July 31, 2035 with right to extend the term for two additional successive periods of five (5) years each. The agreement includes additional charges for maintenance and security services. Under the agreement, the School must meet certain covenants and requirements, including a "Lease Payment Coverage Ratio" of not less than 1.10 to 1.00.

Ben Gamla, Inc. also entered into an amended lease agreement with 28th Ave Facility, LLC for the School's rental of an open space used for parking lot space. The Landlord is an affiliate of the School's education and support provider (see Note 4). Initial fixed annual payments under this agreement are \$80,234 for the first lease year, \$85,075 for the second lease year, and \$122,011 for each lease year thereafter. Each lease year thereafter will be adjusted annually based on the Consumer Price Index (CPI) and shall increase no more than three percent (3%) than the fixed rent for the prior lease year.

The agreement continues through June 30, 2035. On August 22, 2016, the lease was amended and modified to reduce the rent by an amount equivalent to forty percent (40%) of the schedule fixed rent as defined in the Abated Fixed Rent schedule.

During the year, lease payments are allocated among the School and Ben Gamla Preparatory Academy based on enrollment and usage of facility. The allocation used was approximately 54% for the School and 46% for Ben Gamla Preparatory Academy.

For 2018, rent expense including direct facility expenses totaled \$293,643. During 2018, the School paid approximately \$6,000 for an operating lease for equipment expiring on June 31, 2019.

Note 6 – Commitments, Contingencies and Concentrations (continued)

Future minimum payments under the operating leases to be shared with Ben Gamla Preparatory Academy are as follows:

<u>Year</u>		
2019	\$	748,000
2020	\$	739,000
2021	\$	739,000
2022	\$	739,000
2023	\$	739,000
2024-2028	\$	3,695,000 (Total for five-year period)
2029-2033	\$	3,695,000 (Total for five-year period)
2034-2035	\$	1,477,000 (Total for two-year period)

Contingencies and Concentrations

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations.

Additionally, the School receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2018, administrative fees withheld by the School District totaled \$80,711.

Note 7 – Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past years. In addition, there were no reductions in insurance coverage from those in the prior year.

Note 8 – Long Term Debt

On January 23, 2018, The National Ben Gamla Charter School Foundation, Inc. obtained financing on behalf of the School from a financial institution for a total loan balance of \$333,333. The long term debt will be repaid in 60 monthly principal and interest payments at a fixed interest rate of 4.35%. As of June 30, 2018, the outstanding principal balance was \$308,272. The loan is collateralized by restricted cash held by other divisions of The National Ben Gamla Charter School Foundation, Inc.

The following schedule provides a summary of changes in long-term debt for the year:

	Balance 07/01/17	Proceeds	Repayments	Balance 06/30/18
Long term debt	\$ -	\$ 333,333	\$ (25,062)	\$ 308,272
Total Long Term Debt Payable	<u>\$ -</u>	<u>\$ 333,333</u>	<u>\$ (25,062)</u>	<u>\$ 308,272</u>

Future minimum payments on long-term debt are as follows:

2019	\$ 61,948
2020	64,711
2021	67,648
2022	70,693
2023	43,272
	<u>\$ 308,272</u>

Note 9 – Defined Contribution Retirement Plan

The School's personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School provides a match of 50% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$3,550 for the year ended June 30, 2018. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by Voya.

Note 10 – Subsequent Events

Effective for the 2018-2019 school year, the charter school contract between School Board of Broward County and The National Ben Gamla Charter School Foundation, Inc., on behalf of the School was amended to consolidate the charter of Ben Gamla Charter Preparatory (W/L #5204) into the School with one charter serving grades six through twelfth grade. The net assets of Ben Gamla Charter Preparatory were transferred to the School as of July 1, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

Ben Gamla Preparatory Charter High School

(A charter school under The National Ben Gamla Charter School Foundation, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2018

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 1,604,013	\$ 1,633,140	\$ 1,634,360
Other revenue	4,000	4,500	4,888
Total Revenues	<u>1,608,013</u>	<u>1,637,640</u>	<u>1,639,248</u>
EXPENDITURES			
Current:			
Instruction	654,350	649,187	645,690
Instructional staff training	3,000	1,000	707
Board	21,250	20,911	20,379
School administration	375,525	374,519	373,488
Fiscal services	38,625	38,190	37,800
Central services	59,625	57,610	55,204
Pupil transportation services	42,000	30,187	28,540
Operation of plant	466,818	380,197	363,926
Maintenance of plant	18,000	22,109	21,332
Total Current Expenditures	<u>1,679,193</u>	<u>1,573,910</u>	<u>1,547,066</u>
(Deficit) Excess of Revenues Over Current Expenditures	<u>(71,180)</u>	<u>63,730</u>	<u>92,182</u>
Capital Outlay	-	12,500	11,064
Total Expenditures	<u>1,679,193</u>	<u>1,586,410</u>	<u>1,558,130</u>
(Deficit) Excess of Revenues Over Expenditures	(71,180)	51,230	81,118
Other financing sources (uses):			
Transfers in (out)	(19,362)	(41,642)	(38,364)
Long term debt from third parties	-	333,333	333,333
Long term advances from other divisions	50,000	50,000	50,000
Repayment of long-term advances	-	(408,333)	(408,333)
Net change in fund balance	(40,542)	(15,412)	17,754
Fund Balance at beginning of year	<u>374,358</u>	<u>374,358</u>	<u>374,358</u>
Fund Balance at end of year	<u>\$ 333,816</u>	<u>\$ 358,946</u>	<u>\$ 392,112</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

18-01 INTERNAL AND AFTER-CARE ACCOUNT DEPOSITS

- Criteria: The School designed and implemented an internal control system to reduce the risk of misappropriation of assets and/or cash receipts by establishing a general policy regarding the collection of money as detailed in the School's "Internal Accounts – Policies and Procedures" handbook.
- Condition: We noted the following: Recap of Collections Form were missing, deposits were missing receipts for cash collections of over \$15, Recap of Collection Forms were not signed by the treasurer, deposit summaries did not agree to the supporting Recap of Collections Forms and bank deposit receipt.
- Cause: The condition results from school personnel not consistently adhering to the policies and procedures regarding the collection of money as detailed in the handbook.
- Effect: Failure to perform the procedures mentioned resulted in misappropriation of assets during the year. Management has estimated the loss at approximately \$10,500.
- Recommendation: We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all deposits and cash receipts are properly counted, reviewed, and reconciled to the amount deposited in the bank account.

Views of Responsible officials: See attached management response.

18-02 INTERNAL AND AFTER-CARE ACCOUNT DISBURSEMENTS

- Criteria: The School designed and implemented an internal control system to reduce the risk of misappropriation of assets and/or invalid payments by establishing a general policy regarding cash disbursements as detailed in the School's "Internal Accounts – Policies and Procedures" handbook.
- Condition: We noted the following: disbursements made without invoices or supporting expense reimbursement forms, missing check request forms, checks missing second authorized signature.
- Cause: The condition results from school personnel not consistently adhering to the policies and procedures regarding the cash disbursements / expenses as detailed in the handbook.
- Effect: Failure to perform the procedures mentioned resulted in misappropriation of assets and invalid payments during the year. Management has estimated the loss at approximately \$5,500.
- Recom-

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Ben Gamla Preparatory Charter High School
Hollywood, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ben Gamla Preparatory Charter High School (the "School") as of, and for the year ended June 30, 2018, 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 28, 2018.

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 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 the School's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal controls that we consider to be material weaknesses.

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. We consider the deficiencies described below to be material weaknesses.

mendation: We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all disbursements are properly approved and documented.

Views of Responsible officials: See attached management response.

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.

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*.

We issued a separate management letter dated September 28, 2018 pursuant to Chapter 10.850, Rules of the Auditor General.

Management's Response to Finding

Management of Ben Gamla Preparatory Charter High School's response to the finding identified in our audit is attached. The response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 28, 2018

MANAGEMENT LETTER

To the Board of Directors of
Ben Gamla Preparatory Charter High School
Hollywood, Florida

Report on the Financial Statements

We have audited the financial statements of Ben Gamla Preparatory Charter High School as of and for the fiscal year ended June 30, 2018 and have issued our report thereon dated September 28, 2018.

Auditor's Responsibility

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; and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated September 28, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. See status of prior year findings below.

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 Ben Gamla Preparatory Charter High School.

Financial Condition

Sections 10.854(1)(e)2, Rules of the Auditor General, requires that we report the results of our determination as to whether or not Ben Gamla Preparatory Charter High 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 Ben Gamla Preparatory Charter High 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, we applied financial condition assessment procedures for Ben Gamla Preparatory Charter High School. It is management's responsibility to monitor Ben Gamla Preparatory Charter High 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. We have applied such procedures as of the fiscal year end and no deteriorating financial condition has been noted.

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 Ben Gamla Preparatory Charter High 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 Ben Gamla Preparatory Charter High School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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.

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 identified material weaknesses as report in the attached 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*.

See status of prior year findings below. In connection with our audit, we had the following observation and recommendation:

ML 2017-01 – INTERNAL ACCOUNT - DISBURSEMENTS

Observation:

We noted that sales tax was paid by the School in three out of forty disbursements tested.

This finding has been corrected.

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 Florida House of Representatives, the Florida Auditor General, School Board of Broward County, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 28, 2018

Ben Gamla Preparatory Charter High School

September 20th, 2018

HLB Gravier, LLP
396 Alhambra Circle, 9th Floor
Coral Gables, FL 33134

RE: MANAGEMENT'S RESPONSE TO AUDITOR'S RECOMMENDATION

The following is the response by the School's Board of Directors to your recommendations:

18-01 – INTERNAL AND AFTERCARE ACCOUNT DEPOSITS

Recommendation

We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all deposits and cash receipts are properly counted, reviewed, and reconciled to the amount deposited in the bank account.

Management's Response

Management will adhere to the auditor's recommendation. Proper segregation of duties will be enforced, as established in the Internal control policies and procedures. Continuous oversight of deposits will be performed by the Principal, ensuring that all deposits and cash receipts are properly counted, reviewed and reconciled to the amount deposited in the bank account.

18-02 INTERNAL AND AFTERCARE ACCOUNT DISBURSEMENTS (Initially reported in 2016, and corrected in 2017)

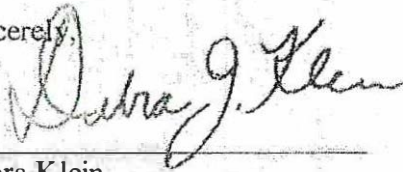
Recommendation

We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all disbursements are properly approved and documented.

Management's Response

Management will adhere to the auditor's recommendation. In order to maintain proper procedures, the school Principal will enforce the use of Purchase Orders prior to purchasing items, ensuring funds are available and payments are issued to approved vendors.

Sincerely,



Debra Klein
Board Chair, The National Ben Gamla
Foundation, Inc.



Gayle Iacono
School Principal, Ben Gamla
Preparatory Charter High School