

Championship Academy of Distinction at Davie, Inc.

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Championship Academy of Distinction at Davie, Inc.
Hollywood, Florida

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Championship Academy of Distinction at Davie, Inc. (the "School"), a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 2020, 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. 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 information of the School, as of June 30, 2020, 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.

As described in Note L, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2020, and the results of its operations for the year then ended, and is not intended to be a complete presentation of the District.

Financial Condition Assessment and Deteriorating Financial Condition

Pursuant to Florida Statute 1002.345 and 218.503, we have evaluated the determination of deteriorating financial conditions and financial emergency for the School. During the 2019-20 fiscal year, the School had one condition occurrence pursuant to the determination of financial emergency. See the Management Letter for detail of the condition occurrences.

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, as listed in the table of contents, 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 30, 2020, 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 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.

McDonough CPA Solutions, PA

September 30, 2020

Rockledge, Florida

Management's Discussion and Analysis

As management of Championship Academy of Distinction at Davie, Inc. (the "School"), we offer readers of the School's financial statements this narrative overview of the financial activities of the School for the fiscal year ended June 30, 2020 to a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis ("MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements, as listed in the table of contents.

Financial Highlights

- The assets of the School were less than its liabilities at close of the most recent fiscal year by \$ 199,270.
- The School's total net position decreased by \$ 269,685 .
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of (\$ 250,096
- At the end of the current fiscal year, unassigned fund balance for the general fund was (\$ 588,756 .

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

The School as a Whole

The information in the government-wide financial statements includes all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (assets, liabilities, and deferred outflows/inflows of resources) over time is one indicator of whether the School's financial health is improving or deteriorating. However, one needs to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, etc., to assess the overall health of the School.

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, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by District, State, and Federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the School Board of Broward County, Florida. The School Board of Broward County, Florida includes the operation of the School in their operations.

The governmental-wide financial statements can be found listed on the table of contents of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The general fund and capital outlay fund are considered to be major funds.

The basic governmental fund financial statements can be found listed on the table of contents in this report.

The School adopts an annual appropriated budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget and can be found listed in the table of contents in this report.

Notes to financial statements. The notes 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 listed on the table of contents in this report.

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a School's financial position. In the case of the School, assets were less than liabilities by \$ 218,859 (deficit net position) and assets greater than liabilities by \$70,415 for the years ended June 30, 2020 and 2019, respectively.

A portion of the School's net position is the unrestricted portion. Another portion of the net position reflects its net investment in capital assets (e.g., furniture, fixtures and equipment and leasehold improvements), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The net investment in capital assets, less any related debt used to acquire those assets that is still outstanding totaled \$ 50,826 at June 30, 2020.

Comparison of the condensed statement of net position and the statement of activities are provided below:

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
ASSETS			
Current assets	\$ 560,049	\$ 329,902	\$ 230,147
Capital assets - net	50,826	70,415	(19,589)
Total assets	<u>610,875</u>	<u>400,317</u>	<u>210,558</u>
LIABILITIES			
Current liabilities	810,145	329,902	480,243
Total liabilities	<u>810,145</u>	<u>329,902</u>	<u>480,243</u>
NET POSITION			
Net investment in capital assets	50,826	70,415	(19,589)
Unrestricted	<u>(250,096)</u>	<u>-</u>	<u>(250,096)</u>
Total net position	<u>\$ (199,270)</u>	<u>\$ 70,415</u>	<u>\$ (269,685)</u>

The increase in current assets is mostly related to cash proceeds received from the paycheck protection program (PPP) loan established in response to the COVID-19 pandemic. Likewise, the increase in current liabilities is mostly due to the PPP Loan and increase in the fees due to the management company. Unrestricted net position decreased mainly due to the deficit in net position.

Changes in the School's revenues were as follows:

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Revenues:			
Program revenues:			
Charges for services	\$ 83,828	\$ 156,197	\$ (72,369)
Operating grants and contributions	208,442	320,060	(111,618)
Capital grants and contributions	243,007	264,622	(21,615)
General revenues:			
State passed through local school district	3,293,831	3,761,734	(467,903)
Debt forgiveness	-	49,500	(49,500)
Local and other	9,776	55,049	(45,273)
Total revenues	<u>\$ 3,838,884</u>	<u>4,607,162</u>	<u>\$ (768,278)</u>

The School saw a decrease in total revenues of approximately \$768,278 compared to the previous year. The School's enrollment decreased from 543 to 482 students, resulting in lower state pass through revenue and operating grants and contributions. Charges for services decreased as a result of School closures related to the COVID-19 pandemic. There was no debt forgiveness related to the 2020 year. Lastly, local and other revenues decreased as a result of a decrease in fundraising activities.

Changes in the School's expenses were as follows:

Expenses:

Basic instruction	\$ 1,926,118	1,582,031	\$ 344,087
Exceptional instruction	53,431	-	53,431
Board expenses	110,000	9,000	101,000
School administration	738,578	1,064,961	(326,383)
Fiscal services	20,630	122,419	(101,789)
Food services	104,456	145,941	(41,485)
Student transportation	82,687	126,689	(44,002)
Operation of plant	1,043,397	1,178,228	(134,831)
Community services	29,272	45,260	(15,988)
Total expenses	<u>\$ 4,108,569</u>	<u>4,274,529</u>	<u>\$ (165,960)</u>
Change in net position	\$ (269,685)	332,633	(602,318)
Net position (deficit) - beginning	<u>\$ 70,415</u>	<u>(262,218)</u>	<u>332,633</u>
Net position (deficit) - ending	<u>\$ (199,270)</u>	<u>\$ 70,415</u>	<u>\$ (269,685)</u>

Overall total expenses decreased compared to the previous year due to a decrease in instruction provided to students and facility costs, as well as additional personnel and student related expenses decreases due to enrollment.

Financial Analysis of the Government's Funds

As previously noted, 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.

As of the end of the current fiscal year, the School's governmental funds reported a combined ending fund balance of (\$250,096). The general fund is the chief operating fund of those funds which included a total amount (\$250,096) of unassigned fund balance, which is the amount available for spending at the government's discretion.

General Fund Budgetary Highlights

Actual revenues are less than budgeted revenues by \$1,053,030 while budgeted expenditures exceeded actual expenditures by \$542,361.

The budgetary information can be found listed on the table of contents in this report.

Capital Asset and Debt Administration

Capital Assets. The School's net investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$ 50,826 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and equipment. Additional information on the School's capital assets can be found in the accompanying notes to the financial statements.

Debt and Long-Term Liabilities. At the end of the current fiscal year, the School had no outstanding debt or long-term liabilities.

Economic Factor

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to decrease from 482 to approximately 307 students for the 2020/2021 school year.

Request for Information

This financial report is designed to provide a general overview of the Championship Academy of Distinction at Davie, Inc.'s finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Championship Academy of Distinction at Davie, Inc., 3367 North University Drive, Davie, FL 33024.

Championship Academy of Distinction at Davie, Inc.
STATEMENT OF NET POSITION (DEFICIT)
June 30, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 479,722
Accounts receivable	40,687
Due from related parties	39,640
	560,049
Total current assets	560,049

CAPITAL ASSETS

Capital assets, net of accumulated depreciation:	
Leasehold improvements	50,826
	50,826
Total capital assets, net	50,826
Total assets	610,875

LIABILITIES AND NET POSITION (DEFICIT)

LIABILITIES

Accounts payable	19,795
Accrued payroll liabilities	176,872
Due to management company	187,051
Nonexchange financial gurantee	426,427
	810,145
Total liabilities	810,145

NET POSITION (DEFICIT)

Net investment in capital assets, net of related debt	50,826
Unrestricted	(250,096)
	(199,270)
Total net position (deficit)	\$ (199,270)

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

Championship Academy of Distinction at Davie, Inc.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Basic instruction	\$ 1,926,118	\$ -	\$ 126,995	\$ -	\$ (1,799,123)
Exceptional instruction	53,431	-	-	-	(53,431)
Board expenses	110,000	-	-	-	(110,000)
School administration	738,578	-	-	-	(738,578)
Fiscal services	20,630	-	-	-	(20,630)
Food services	104,456	2,578	81,447	-	(20,431)
Student transportation	82,687	-	-	-	(82,687)
Operation of plant	1,043,397	-	-	243,007	(800,390)
Community service	29,272	81,250	-	-	51,978
Total governmental activities	\$ 4,108,569	\$ 83,828	\$ 208,442	\$ 243,007	(3,573,292)

General revenues:

State passed through local school district	3,293,831
Local and other	9,776
Total general revenues	<u>3,303,607</u>
Change in net position	(269,685)
Net position at July 1, 2019	<u>70,415</u>
Net position at June 30, 2020	<u><u>\$ (199,270)</u></u>

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

Championship Academy of Distinction at Davie, Inc.
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 479,722	\$ -	\$ -	\$ 479,722
Accounts receivable	440	-	-	440
Due from related party	39,640	-	-	39,640
Due from other agencies	-	15,163	25,084	40,247
Due from other funds	40,247	-	-	40,247
Total assets	\$ 560,049	\$ 15,163	\$ 25,084	\$ 600,296
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 19,795	\$ -	\$ -	\$ 19,795
Accrued payroll liabilities	176,872	-	-	176,872
Due to management company	187,051	-	-	187,051
Due to other funds	-	15,163	25,084	40,247
Nonexchange financial gurantee	426,427	-	-	426,427
Total liabilities	810,145	15,163	25,084	850,392
 FUND BALANCES				
Unassigned	(250,096)	-	-	(250,096)
Total fund balances	(250,096)	-	-	(250,096)
Total liabilities and fund balances	\$ 560,049	\$ 15,163	\$ 25,084	\$ 600,296

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

Championship Academy of Distinction at Davie, Inc.
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION (DEFICIT)
For the year ended June 30, 2020

Fund balance - total governmental funds		\$ (250,096)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	241,243	
Accumulated depreciation	(190,417)	50,826
Total net position (deficit) of governmental activities		\$ (199,270)

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

Championship Academy of Distinction at Davie, Inc.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
For the year ended June 30, 2020

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Federal passed through state and local	\$ -	\$ 243,007	\$ 200,109	\$ 443,116
State passed through local school district	3,302,164	-	-	3,302,164
Other revenues	93,604	-	-	93,604
Total revenues	<u>3,395,768</u>	<u>243,007</u>	<u>200,109</u>	<u>3,838,884</u>
Expenditures				
Current:				
Basic instruction	1,787,867	-	118,662	1,906,529
Exceptional instruction	53,431	-	-	53,431
Board expenses	110,000	-	-	110,000
School administration	738,578	-	-	738,578
Fiscal services	20,630	-	-	20,630
Food services	-	-	104,456	104,456
Student transportation	82,687	-	-	82,687
Operation of plant	800,390	243,007	-	1,043,397
Community service	29,272	-	-	29,272
	<u>3,622,855</u>	<u>243,007</u>	<u>223,118</u>	<u>4,088,980</u>
Excess (deficiency) of revenues over (under) expenditures	(227,087)	-	(23,009)	(250,096)
Other financing sources and (uses)				
Transfers in	(23,009)	-	-	(23,009)
Transfers out	-	-	23,009	23,009
Total other financing sources and (uses)	<u>(23,009)</u>	<u>-</u>	<u>23,009</u>	<u>-</u>
Net change in fund balance	(250,096)	-	-	(250,096)
Fund balances at July 1, 2019	-	-	-	-
Fund balances at June 30, 2020	<u>\$ (250,096)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (250,096)</u>

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

Championship Academy of Distinction at Davie, Inc.
RECONCILIATION OF THE STATEMENT REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES –GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

Net change in fund balances - total governmental funds \$ (250,096)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

Provision for depreciation	(19,589)		(19,589)
Change in net position of governmental activities		\$	(269,685)

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

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The Championship Academy of Distinction at Davie, Inc. (the "School") is a component unit of the District School Board of Broward County, Florida (the "District"), a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors (the "Board"), which is comprised of not less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the School Board of Broward County, Florida, ("District"). The charter is effective until June 30, 2021 and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District; 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 which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. 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. Government-wide and fund financial statements

Government-wide financial statements, including the statement of net position (deficit) and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period.

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.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt are recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures and other financing sources and uses.

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

Nonspendable: This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.

Assigned: This classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.

Unassigned: This classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the general fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet as listed on the table of contents.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund – the general operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

Capital Outlay Fund – in accordance with guidelines established by the Broward County District School Board. This fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

4. Cash

Cash consists of cash on hand at the School and checking accounts held at a financial institution. The School has no cash equivalents.

5. Receivables

The School's receivables consist of receivables from service programs and amounts due other agencies. After reviewing the individual account balances, the School's management has determined, based on prior experience, that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Capital assets

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital assets (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture, fixtures and equipment	5
Leasehold improvements	10

7. Revenue recognition

Student funding is provided by the State of Florida through the School District. Such funding is recorded as State passed through local school district in the government-wide financial statements and fund financial statements and is net of the 5% administration fee retained by the School District. This funding is received on a prorated basis over the 12-month period and is adjusted for changes in full-time equivalent (FTE) student population.

8. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed 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(17), Florida Statutes, the School reports 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 FTE students and related data to the Florida Department of Education (“FDOE”) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the 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(l)(e)2., Florida Statutes. For the fiscal year ended June 30, 2020, the School reported 481.79 unweighted FTE and 510.9303 weighted FTE.

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Revenue sources (continued)

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

11. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Income taxes (continued)

Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all of its tax positions are more likely than not to be sustained upon examination. The School files Form 990 in the U.S. federal jurisdiction.

12. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimate amounts.

13. Budget

An operating budget is adopted and maintained by the governing board of the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements.

14. Recent accounting pronouncements

In June 2017, the GASB issued Accounting Standards Updated (“ASU”) No. 87, Leases, which will require lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today’s capital lease accounting. The new guidance is effective for reporting periods beginning after December 15, 2020. Early adoption is permitted. The School is evaluating the potential effect ASU No. 87 will have on its financial statements.

NOTE B – CASH

Cash is made up of deposits and cash on hand totaling \$ 479,722 at June 30, 2020. The School’s deposits must be placed with a financial institution designated by the Treasurer of the State of Florida as a “qualified public depository”, as defined in Chapter 280, Florida Statutes. The School deposits are held with a qualified depository and are covered by the collateral pool as the School has identified itself as a public entity. As of June 30, 2020, there were \$257,866 funds held in excess of FDIC insurance coverage.

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE C – CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets depreciated:				
Furniture, fixtures and equipment	\$ 45,349	\$ -	\$ -	\$ 45,349
Leasehold improvements	195,894	-	-	195,894
Total capital assets depreciated	241,243	-	-	241,243
Less accumulated depreciation:				
Furniture, fixtures and equipment	45,349	-	-	45,349
Leasehold improvements	125,479	19,589	-	145,068
Total accumulated depreciation	170,828	19,589	-	190,417
Total capital assets, net	<u>\$ 70,415</u>	<u>\$ (19,589)</u>	<u>\$ -</u>	<u>\$ 50,826</u>

Depreciation expense for the year ended June 30, 2020 was charged to basic instruction of the School in the amount of \$19,589.

NOTE D – RELATED PARTIES

1. Related charter schools

The School entered into transactions with related charter schools which are under common control by the School's management company. Activities between the related entities are related to lease obligations, management fees, payroll and employee benefits, National School Lunch Program reimbursement, and student transportation services. The School expects to receive full payment within one year from the financial statement date and no allowance for bad debt has been established.

As of June 30, 2020, the School's receivables (payables) balance with related parties are the following:

Championship Academy of Distinction	Receivables	Payables	Total
at Hollywood, Inc.	\$ 126,569	\$ -	\$ 126,569
at Hollywood Middle, Inc.	-	(7,845)	(7,845)
at Davie High School, Inc.	27,710	(21,800)	5,910
K-8 (3), Inc.	409	(85,403)	(84,994)
	<u>\$ 154,688</u>	<u>\$ (115,048)</u>	<u>\$ 39,640</u>

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE D – RELATED PARTIES (continued)

2. Management company

The School has contracted with a management company for general management of the day-to-day educational and operational aspects of the School as noted at Note G-1. As of June 30, 2020, the School's balance sheet reflects a liability due to the management company in the amount of \$187,051. The due from (to) management company activity consists of the following for the year ended June 30, 2020.

	Due from (to)
Balance at July 1, 2019	\$ 59,764
Management fee invoiced	(471,865)
Management fee payments	225,050
Balance at June 30, 2020	\$ (187,051)

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE E – CONCENTRATIONS

As stated in Note A-10, the School receives revenues for current operations primarily from the State of Florida through the District.

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Broward County, Florida	
Base student allocation	\$ 2,229,596
Declining enrollment	270,366
Digital classrooms allocation	770
Discretionary lottery	483
Supplemental academic instruction	106,557
Reading allocation	20,354
Proration allocation	(6,553)
ESE guaranteed allocation	62,085
Class size reduction	557,204
Transportation	19,788
Safe schools	28,857
Instructional materials	35,876
Funding compression allocation	3,811
Mental health allocation	11,729
FEFP adjustment	<u>(86,680)</u>
	<u>3,254,243</u>
Capital Outlay	243,007
Title 1	118,662
Best and Brightest Teacher Scholarship Program	39,588
Florida Teacher Lead Program	<u>8,333</u>
Total from the School Board of Broward County	3,663,833
Other revenue:	
National School Lunch Program	81,447
Food service	2,578
Before and aftercare	81,250
Other revenues	<u>9,776</u>
	<u>\$ 3,838,884</u>

The administrative fee paid to the District during the year ended June 30, 2020, totaled \$86,680.

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE F – FUNDING AND CREDIT RISK CONCENTRATION

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

NOTE G - COMMITMENTS AND CONTINGENCIES

1. Management service contract

The School entered into a contract for the period July 1, 2016 to June 30, 2026 with Championship Academy of Distinction, LLC (“CAD”). The contract calls for CAD to provide the School with general management of the day-to-day educational and operational aspects of the School. Under the terms of the agreement, the School will pay fourteen and a half percent (14.5%) of FEFP revenues, less the District's administrative fee, in monthly installments. The total amount incurred during the year ended June 30, 2020, relating to this contract was \$187,051. See Note D-2.

2. Facility lease

The School entered into a 25-year lease agreement for its educational facility in November 2013. The agreement calls for monthly rent payments, annual adjustments in base rent based on the Consumer Price Index, and requires the School to pay insurance, utilities, and other costs. Rental expense charged to operations for the year ended June 30, 2020 totaled \$ 597,440.

The following is an estimated schedule of future minimum rental payments based upon the current rate of Consumer Price Index as of the latest annual base rent adjustment.

<u>Years ending June 30,</u>	<u>Total</u>
2021	\$ 739,393
2022	753,441
2023	767,757
2024	782,344
2025	797,209
2026-2030	4,219,091
2031-2035	4,635,432
2036-2039	2,635,692
	<u>\$15,330,359</u>

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE H – NONEXCHANGE FINANCIAL GUARANTEES

On May 14, 2020, the School received loan proceeds in the amount of \$426,427 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for the amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are guaranteed forgivable by the Small Business Administration (SBA) after eight or twenty-four weeks of utilization as long as the School uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the chosen utilization period.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. At this time, the School intends the proceeds received will be used for eligible purposes consistent with described conditions and believes it is more likely than not that the SBA will grant forgiveness in full in accordance with the guarantee.

The liability recognized for the nonexchange financial guarantee by the School at June 30, 2020 is as follows:

July 1, 2019	Increase	Decrease	June 30, 2020
\$ -	\$ 462,427	\$ -	\$ 462,427

NOTE I - CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs 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 receivables at June 30, 2020, may be impaired.

In the opinion of the School, there are no significant 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.

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE J - RISK MANAGEMENT PROGRAMS

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE K - 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.

NOTE L – LOAN GUARANTOR

During December 2018, the School entered into a guaranty agreement with related entity Championship Academy of Distinction entities to guarantee a \$1,500,000 note payable to original EB-5 investors. The note due date has been extended indefinitely and carries an interest rate of 7% plus a service fee rate of .34%, both which are paid monthly. As of June 30, 2020, the School was released by the guaranty agreement.

NOTE M – SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 30, 2020, the date which the financial statements were available for issuance; and has determined that no material events occurred that would require additional disclosure in the financial statements except as follows:

On March 9, 2020, the Governor of the State of Florida declared a state of emergency in response to the global Coronavirus Disease 2019 (COVID-19) pandemic. In the weeks following the declaration, precautionary measures to slow the spread of the virus had been ordered. These measures including the closing of schools and requiring Florida residents to stay home unless they are leaving for essential functions. Over the following weeks, a step process was used by the Florida economy to slowly reopened and on July 6, 2020, the State of Florida Department of Education, under the directions of the Governor, announced the reopening of the School related to 2020-21 Florida's Optional Innovative Reopening Plan.

Championship Academy of Distinction at Davie, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE M – SUBSEQUENT EVENTS (continued)

Under this plan, the School is to reopen on August 19, 2020 and provide two options to return to School. The first option is for the School to open schools for all students desiring instruction in brick-and-mortar schools when local health officials' guidance allows for such operation for all student. The second option is to provide students with eLearning Innovation Model to ensure student receive a full day of "bona fide" instruction per Florida Administrative Code 6A-1.045111, Florida Statue 1003.436 and other applicable statutes and regulations.

In addition to mandated operational changes by the State, the School received Paycheck Protection Program Funds provided under the CARES act to continue to pay teachers over closure weeks of the School. The School has allocated these funds to be used only related to payroll, benefits, rent and utilities, and maintains its payroll levels over the utilization period in accordance with the restriction of the loan forgiveness. As of July 24, 2020, the School has used all monies related to these requirements and will be applying for forgiveness of the loan closer by the end of the 2020 year per the bank's instructions. The School believes it is more likely than not that it will receive forgiveness of the loan and has met the forgiveness requirements.

The future impact of COVID-19 pandemic may possibly affect future operating costs and revenues in the event of resurgence of cases and potential shut downs by the State or City.

During September 2020, the School has terminated the management contract with the management company with cause. The School's board has taken over the general management of the day-to-day educational and operational aspects of the School.

REQUIRED SUPPLEMENTAL INFORMATION

Championship Academy of Distinction at Davie, Inc.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
For the year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State passed through local school district	\$ 4,299,478	\$ 4,299,478	\$ 3,302,164	\$ (997,314)
Other Revenues	149,320	149,320	93,604	(55,716)
Total revenues	4,448,798	4,448,798	3,395,768	(1,053,030)
Expenditures				
Basic instruction	1,613,484	1,613,484	1,787,867	(174,383)
Exceptional instruction	-	-	53,431	(53,431)
Student support services	75,354	75,354	-	75,354
Board expenses	-	-	110,000	(110,000)
School administration	1,578,183	1,578,183	738,578	839,605
Fiscal services	-	-	20,630	(20,630)
Student transportation	-	-	82,687	(82,687)
Operation of plant	840,291	840,291	800,390	39,901
Maintenace of plant	35,000	35,000	-	35,000
Community service	22,904	22,904	29,272	(6,368)
Total expenditures	4,165,216	4,165,216	3,622,855	542,361
Excess (deficiency) of revenues over (under) expenditures	283,582	283,582	(227,087)	(510,669)
Other financing sources (uses)				
Transfers in/out	-	-	(23,009)	(23,009)
Net change in fund balance	283,582	283,582	(250,096)	(533,678)
Fund balance at July 1, 2019	-	-	-	-
Fund balance at June 30, 2020	<u>\$ 283,582</u>	<u>\$ 283,582</u>	<u>\$ (250,096)</u>	<u>\$ (533,678)</u>

Championship Academy of Distinction at Davie, Inc.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – CAPITAL OUTLAY FUND
For the year ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Federal passed through local school district	\$ 264,622	\$ 264,622	\$ 243,007	\$ (21,615)
Expenditures				
Operation of plant	264,622	264,622	243,007	21,615
Total expenditures	264,622	264,622	243,007	21,615
Net change in fund balance	-	-	-	-
Fund balance at July 1, 2019	-	-	-	-
Fund balance at June 30, 2020	\$ -	\$ -	\$ -	\$ -

Championship Academy of Distinction at Davie, Inc.
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2020

NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

Annual budgets are adopted for the entire operations and may be amended by the Board of Directors (the “Board”). Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major fund for which a legally adopted budget exists.

COMPLIANCE INFORMATION



**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
Championship Academy of Distinction at Davie, Inc.
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 the Championship Academy of Distinction at Davie, Inc. (the “School”), a component unit of the School Board of Broward County, Florida as of and for the year ended June 30, 2020, 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 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-1 that we consider to be significant deficiencies

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-2 – 2020-3.

School's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's 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.

McDonough CPA Solutions, PA

September 30, 2020
Rockledge, Florida



MANAGEMENT LETTER

To the Board of Directors
 Championship of Academy of Distinction at Davie, Inc.
 Hollywood, Florida

Report on the Financial Statements

We have audited the financial statements of Championship Academy of Distinction at Davie, Inc. (the “School”), a component unit of the School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated September 30, 2020.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated September 30, 2020, 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. In connection with our audit, corrective actions have not been taken to address findings and recommendation made in the preceding annual financial audit report.

Tabulation of Uncorrected Audit Findings		
2019-20 Year Finding No.	2018-19 Year Finding No.	2017-18 Year Finding No.
2020-001	2019-001	
2020-002	2019-002	
2020-003	2019-003	
2020-004		
2020-005		
2019-001		
2019-002		
2019-003		

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Department of Education of the entity is Championship of Academy of Distinction at Davie, Inc.; 5422.

Financial Condition and Management

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, requires us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did meet the following condition described in Section 218.503(1), Florida Statutes:

- Failure to pay uncontested claims for the creditors within 90 days after the claim was presented, as a result of lack of funds.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School did not maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we had the following findings 2020-03.

Purpose of this Letter

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

McDonough CPA Solutions, PA

September 30, 2020
Rockledge, Florida

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

For the years ended June 30, 2020, there were the following audit findings, recommendations, or responses :

2020-001: Employee/Wage Approvals Contracts Significant Deficiency

Condition and Criteria: Per the Charter contract, the School agrees to implement the practices and procedures for hiring and dismissal, policies governing salaries, contracts, benefit packages, target staff size, staffing plan, and projected student-teacher ratio. The School's governing board will determine salaries, benefits, and Position/Title classification, provided that the School's governing board may establish any additional positions it deems necessary.

Cause: During the review of employee files, the School was unable to produce all employee contacts selected for our review and there was no evidence of boards' approval of salary, benefit, and position/title within the minutes.

Effect: The non-approval of salaries, contracts, and benefits packages allows for errors, both intentional and unintentional, to go undetected in human resource administration. In addition, the lack of new hiring contacts and annual renewal of contacts could allow for the over or under payment of employees and prevent the timely reporting of new hires, leaves of absence, transfers, and termination due to manipulations or mismanagement within the payroll process.

Auditor's recommendation: We recommend the School's board implement a review process to ensure all salaries, benefits, and position/title are approved and documented within the board minutes and the hiring process and procedures are implemented to create and maintain employee contracts in accordance with charter contact.

2020-002 – Website maintenance Noncompliance

Condition and Criteria: Per Florida Statue 1002.33(9)(p), each charter school shall maintain a website that enables the public to obtain information regarding the school. The School's charter agreement requires the School to update their website quarterly for board member names, meetings, minutes, current year budget, public accountability report, and recent independent fiscal audit.

Cause: During our audit, we were unable to find the School's board member names, meetings, minutes, current year budget, public accountability report and recent independent fiscal audit on the School's website.

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

2020-002 – Website maintenance (continued)

Noncompliance

Effect: The public should have information about the School's governing board and activities easily accessible on its website.

Auditor's recommendation: We recommend that the School maintain the website on a quarterly basis to have current information about the board member names, meetings, minutes, current year budget, public accountability report and recent independent fiscal audit on the School's website.

2020-003: Budget Expenditures

Noncompliance

Condition and Criteria: Per Florida Statutes 1002.33(9)(h), the governing board of the charter school must annually adopt and maintain an operating budget for the charter school's operations. This budget should be a balanced budget whereby there are adequate resources to fund all budgeted appropriations. In addition, expenditures should not exceed appropriations authorized by the Board.

Cause: Although the School had an internal adopted and amended budget during the fiscal year for changes in activity, the budget was not maintained for all changes in operating activity. The original budget was unbalanced and provided for too many resources to the School as compared to true economic circumstances. Therefore, the original and amended budget were not approved by the School District. As reported in the Budgetary Comparison Schedule for the General Fund, final budgeted revenues and expenditures significantly exceeded actual revenues and expenditures by (\$1,053,030) and \$542,361, respectively. This is due to the original budget not being adjusted to actual at year end.

Effect: The School's operating budgets are created to help management control operations related to the revenue earned and the cost spent. Due to an unapproved budget by the district, the School did not have guidelines to control spending and revenues resulting in significant budget overages.

Auditor's recommendation: The School must annually adopt and maintain an operating budget and submit its approved budget to the District by July 1st of each year along with a copy of the minutes of board meetings showing approval of the budget by the Governing Board. The School's budget process will identify realistic enrollment projections for the original budget. The budget will be reviewed on a monthly basis to include a review of actual expenses and actual revenues. As needed and appropriate, enrollment projections, revenues and expenses will be adjusted and modified. The School will submit a budget amendment after October and February FTE periods, and a final budget within 60 days of the fiscal year-end. A projected amount of contributions for the management company will be included in the budget, as needed, to ensure a positive fund balance.

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

2020-004: Insurance Policy Maintenance

Noncompliance

Condition and Criteria: The School received multiple insurance cancellations for the fiscal year ending June 30, 2020.

Cause: The management company failed to pay invoice timely resulting in the cancellations.

Effect: The School was not properly insured as required by Florida state statues and the charter agreement. The School has not received cancellation of insurance since January 2020 due to new internal control policies and procedures in place.

Recommendation: The School continue to follow their new policies and procedures to ensure no insurance cancellations occur in the future.

2020-005: Florida Best and Brightest Teacher Program

Noncompliance

Condition and Criteria: The Florida Best and Brightest Teacher Program is created to provide recruitment and retention awards to classroom teacher and recognition awards to instructional personnel. The program is established to recruit (recruitment award) newly hired K-12 classroom teachers who are “content experts” hired to teach math, science, computer science, reading or civics and retention (retention award) for teachers if the School has improved an average of 3 percentage points or more. The awards criteria mandate the awards to be paid once received and before April 1 in the year received.

Cause: Per review of award bonuses paid, the School failed to pay the awards out within the mandated time frame due to a lack of funds related to the management company taking out their fee during the time of the reception of the funds.

Effect: The teacher bonus payments award was delayed due to priority given to the payout of management’s fees.

Recommendation: The School gives priority payments of designated funds to the teachers before other vendor and payments are made within the designated timeframe of the award.

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

2019-001: Disbursements – Record Retention and Approvals

Condition and Criteria: The School is paying vendors without proper approvals and documentation support.

Cause: Auditor tested 30 disbursements as part of its testing and found four disbursements were not properly approved and supported with original invoice, purchase order, check request, packing slips, or other support.

Effect: Vendor payments could be made for unauthorized goods or services

Recommendation: Auditor recommends that the School ensure that written policies and procedures surrounding disbursements approvals and record retention are properly followed.

Status Continued: In the June 30, 2020 audit, there were multiple disbursement that did not have supporting documentation (i.e. invoices, purchase orders, check requests, packing slips, or other support). In addition, we noted several invoices not being paid within the ninety days after the claim is presented due to cash flow shortages. We noted payments to the management company marketing reimbursements without supporting documentation including invoices. Since January 2020, the School has maintained adequate documentation and proper approvals in accordance with their new policies and procedures.

2019-002: Use of Debit and Credit Cards

Condition and Criteria: The School utilizes debit and credit cards for purchases of goods and services. The debit card usage includes point of sale purchases.

Cause: Auditor noted during testing of internal controls over disbursements, that the School purchases goods and services with a debit card and credit card, and that the purchases are often not accrued on the books at period end. In addition, auditor noted card charges to numerous gas stations, movie theatres and restaurants.

Effect: The School could incur misuse of funds due to lack of management control over debit and credit card usage.

Recommendation: Auditor recommends revoking all debit and credit cards issued to upper management or establishing stronger control over their usage including proper approvals, retention of receipts, and recording of card transactions.

Status Continued: We noted credit card transactions still lacked management controls related to approvals and retention of receipts through December 2019 but recording of transaction has been corrected. As of January 2020, the School has not allowed the use of purchase cards in the School unless its properly approved and proper documentation maintained.

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

2019-003: Segregation of Duties

Condition and Criteria: The School's policies and procedures do not provide for segregation of duties such that individuals responsible for executing transactions are not the same individual responsible for approving or recording transactions. Additionally, documentation of the financial statement close process and of management's review of key reconciliations and journal entries was insufficient.

Cause: The School has limited accounting staff resources and has been unable to allocate tasks amongst other employees of the School.

Effect: The adequate segregation of duties is a fundamental tenant of internal control and lack of proper segregation of duties and management review allows for errors, both intentional and unintentional, to go undetected.

Recommendation: Auditor recommends that the School implement policies and procedures to allow for a proper segregation of duties and management review of transactions and reconciliations.

Status Continued: During the audit, there was a lack of segregation of duties related to management control authority. Specifically, the management company was approving invoices and signing checks sent out to vendors on behalf of the School. In addition, there were multiple versions of signature of the authorized check signer and several checks were signed by an unauthorized signer. In January 2020, the School implemented new policies and procedures that require appropriate segregation of duties.

CHAMPIONSHIP ACADEMY OF DISTINCTION

3367 N. University Dr.
Davie, FL 33024
Phone: 954-362-3415 Fax: 954-640-9678



Management Response

September 30, 2020

Ms. Sherrill F. Norman, CPA
Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

Ms. Norman,

Please find our responses below to the management letter dated September 30, 2020 in accordance with the audited the financial statements of Championship Academy of Distinction at Davie, Inc. for the year ending June 30, 2020.

The management of the School disputes that deteriorating financial conditions are present at June 30, 2020 through the date of the audit report. The School contracted Charter School Management Solutions LLC (the School's "management company") July 2016 to provide the general management of daily educations, financial and operational aspects of the School. The failure to pay claims to creditors within 90 days was due to soley the management company's failure to provide sufficient financial management and not due to the School's lack of funds. The management company was provided with a Breach of Contract notice on September 19, 2020 for failure to provide these services.

2020-01: Employee/Wage Approvals Contracts

The management company failed to obtain governing board approval for employee salaries, nor did they execute contracts for all employees. This has been corrected for the 2020-2021 school year. A schedule of salaries per employee was provided to the governing board for approval as part of developing the annual operating budget for School. Contracts were executed for all employees based on the approved schedule.

2020-02 – Website maintenance

The management company was responsible for and failed to update the School's website. As soon as the governing board was made aware of the deficiency, the website was updated with all required information. School employees and contractors have been assigned to make sure the website is updated as required.

2020-03: Budget Expenditures

The management company, which stated above was terminated, prepared and provided the budgets to the governing board and the school district. As the financials reflect, due to the sizable management fees, the School incurred a deficit for the year ending June 30, 2020. As such, the School was unable to amend their budget for the year ending June 30,2020.

However, the Paycheck Protection Program loan the School received will more than cover the deficit when forgiveness is granted. We expect to have the forgiveness within the next 60 days.

2020-004: Insurance Policy Maintenance

The management company was responsible for ensuring the cash disbursements of the School were paid timely and all financial management. Due to the sizable management fees, the School struggled with their cash flow until the Paycheck Protection Program loan was received in May 2020. All invoices are currently up to date and the School fully expects to pay their bills timely.

2020-005: Florida Best and Brightest Teacher Program

The award was received in November 2019. The management company failed to calculate the correct allocation to employees nor did they ensure the award was paid timely, while still collecting management fees. Once the School discovered the awards were not paid out in full to teachers, the School immediately remedied the situation during the School year. All awards in the future will be paid timely.

2019-001: Disbursements – Record Retention and Approvals

The School contracted a company that specializes in accounting and financial reporting for charter schools to oversee those functions in our School in January 2020. The Company has more than twenty years' experience providing these functions.

- Our internal control processes have been improved to include:
 - More levels of approval for cash disbursements
 - Implementation of a paperless documentation management system
 - Additional levels of supporting documentation for school deposits
 - Detailed review of monthly reconciliations
 - Regular review of budget to actual reports with management and governance
 - An accounting policy and procedure manual is being approved by the board of directors

The School considers their controls to be effective and adequate segregation of duties maintained to be currently maintained.

2019-002: Use of Debit and Credit Cards

The School eliminated the use of bank cards and credit cards except for board authorized members of management in January 2020. All purchases are approved and authorized by the appropriate parties in accordance with the School's accounting policy and procedure manual.

2019-003: Segregation of Duties

As stated in the response for 2019-001, the School contracted a new accountant in January 2020 who has implemented strong internal control procedures over cash disbursements, including proper authorization, approvals, signatures using a three- tiered layer of control. The School implemented an Accounting Policy and Procedure Manual that was provided to the School District December 2019. As of January 2020, the School considers their controls to be effective and adequate segregation of duties maintained.

Sincerely,

The Governing Board of Directors
Championship Academy of Distinction at Davie, Inc.
Davie, Florida