

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT
DAVIE, INC.**

HOLLYWOOD, FLORIDA
(A CHARTER SCHOOL AND A COMPONENT UNIT
OF THE SCHOOL BOARD OF BROWARD, FLORIDA)

BASIC FINANCIAL STATEMENTS, INDEPENDENT
AUDITOR'S REPORT AND SUPPLEMENTAL
INFORMATION

JUNE 30, 2021

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
JUNE 30, 2021

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CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
(A Charter School and component unit of the School Board of Broward County)

3367 North University Drive
Davie, FL 33024

2020-2021

BOARD OF DIRECTORS

Ms. Antonia Magloire – President
Ms. Keri Diaz – Vice President
Mr. Daniel Winsor – Treasurer
Ms. Regina Replinger – Secretary

SCHOOL ADMINISTRATION

Mr. Jeff Dudek
Ms. Patsy Reid, Assistant Principal



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Championship Academy of Distinction at Davie, Inc.
Coral Springs, Florida

Report on 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 charter school and a component unit of the District School Board of Broward, Florida as of and for the year ended June 30, 2021, 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, 2021, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and budgetary comparison information on pages 25 and 26 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, 2021, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 7, 2021

Management’s Discussion and Analysis
Championship Academy of Distinction at Davie, Inc.
June 30, 2021

The corporate officers of Championship Academy of Distinction at Davie, Inc (the “School”) have prepared this narrative overview and analysis of the School’s financial activities for the fiscal year ended June 30, 2021, the School’s first year of operations.

FINANCIAL HIGHLIGHTS

1. At year-end, the School had current assets of \$793,938.
2. At year-end, the School reported a total fund balance of \$3,709.

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, 2021 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 liabilities. 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 as soon as the underlying event resulting in the change 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.

Prior to the start of the School's fiscal year, the Board of the School adopts an annual budget for all of its governmental funds, if applicable. A budgetary comparison statement has been provided for the School's governmental funds 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 - 24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of the School's financial position. A summary of the School's net position as of June 30, 2021 and 2020 follows:

	Net Position	
Assets	2021	2020
Cash and cash equivalents	\$ 452,662	\$ 479,722
Due from other agencies	440	40,687
Due from related parties	287,886	39,640
Prepaid expenses	52,950	-
Capital assets, net	45,949	50,826
Total Assets	\$ 839,887	\$ 610,875
Liabilities and Net Position		
Accounts and wages payable and accrued liabilities	\$ 442,582	\$ 383,718
Settlements payable	347,647	-
Note payable	426,427	426,427
Total Liabilities	1,216,656	810,145
Net investment in capital assets	45,949	50,826
Deficit in unrestricted	(422,718)	(250,096)
Total Net Position (Deficit)	\$ (376,769)	\$ (199,270)
Total Liabilities and Net Position (Deficit)	\$ 839,887	\$ 610,875

At June 30, 2021, the School's total assets were \$839,887 and total liabilities were \$1,216,656. At June 30, 2021, the School reported a total deficit in net position of \$376,769. The School is in the process of applying for forgiveness of their Paycheck Protection Plan loan, which if received, will alleviate the deficit in net position.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2021 and 2020 follows:

REVENUES	<u>2021</u>	<u>2020</u>
Program Revenues		
Federal lunch program	\$ 38,977	\$ 81,447
Revenues from state sources	261,953	126,995
State capital outlay funding	130,048	243,007
Charges for services	7,339	83,828
General Revenues		
FEFP nonspecific revenue	3,277,805	3,293,831
Other local revenue	59,331	9,776
Total Revenues	<u>\$ 3,775,453</u>	<u>\$ 3,838,884</u>
EXPENSES		
Instruction	\$ 1,789,972	\$ 1,979,549
Instructional related technology	62,520	-
Food services	24,519	104,456
General administration	87,052	-
School administration	437,026	738,578
School Board	304,212	110,000
Operation of plant	732,875	1,043,397
Fiscal services	74,124	20,630
Transportation	32,595	82,687
Community services	31,355	29,272
Total Expenses	<u>\$ 3,576,250</u>	<u>\$ 4,108,569</u>
Change in Net Position	199,203	(269,685)
Net Position (Deficit) at Beginning of Year	(199,270)	70,415
Restatement	<u>(376,702)</u>	<u>-</u>
Net Position (Deficit) at End of Year	<u>\$ (376,769)</u>	<u>\$ (199,270)</u>

The School's total revenues for the year ended June 30, 2021 were \$3,775,453 while its total expenses were \$3,576,250 for a net increase of \$199,203. The School was able to reduce expenses, specifically rent expense included in operation of plant, in order to generate a positive change in net position for the 2020-2021 year.

SCHOOL LOCATION

The School operates in the Coral Springs area located at 3367 North University Drive, Davie, FL 33024

REQUESTS FOR INFORMATION

This financial report is intended 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

CAPITAL IMPROVEMENT REQUIREMENT

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

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, *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.

For the year ended June 30, 2021, the School's governmental funds reported a net change in fund balance of \$630,507 and reported a combined fund balance at year-end of \$3,709.

CAPITAL ASSETS

The School's investment in capital assets, as of June 30, 2021, amounts to \$45,949 (net of accumulated depreciation). This investment in capital assets includes improvements, furniture, fixtures and equipment.

LONG-TERM DEBT

The School received loan proceeds in April 2020 for \$426,427 pursuant to the Paycheck Protection Program. Balances on notes payable totaled \$426,427 at June 30, 2021. The School is in the process of applying for forgiveness.

GOVERNMENTAL FUND BUDGET ANALYSIS

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.

	All Governmental Funds		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local district	\$ 2,520,361	\$ 2,430,368	\$ 3,277,805
State capital outlay funding	180,000	166,929	130,048
Federal passed through state	247,519	264,515	300,930
Local and other revenue	-	-	493,097
TOTAL REVENUES	\$ 2,947,880	\$ 2,861,812	\$ 4,201,880
EXPENDITURES			
Instruction	\$ 1,250,349	\$ 1,117,324	\$ 1,785,095
Instructional related technology	-	36,381	62,520
Food services	137,534	64,904	24,519
General administration	-	98,956	87,052
School administration	236,547	623,429	437,026
School Board	-	207,000	304,212
Operation of plant	1,017,419	894,648	732,875
Maintenance of plant	30,000	30,000	-
Fiscal services	60,000	-	74,124
Transportation	30,000	25,705	32,595
Community services	-	-	31,355
TOTAL EXPENDITURES	\$ 2,761,849	\$ 3,098,347	\$ 3,571,373
 Net change in fund balance	 \$ 186,031	 \$ (236,535)	 \$ 630,507

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 452,662
Accounts receivable	440
Due from related parties	287,886
Prepaid expenses	52,950
TOTAL CURRENT ASSETS	<u>793,938</u>
CAPITAL ASSETS, NET	
Depreciable capital assets, net of accumulated depreciation	45,949
TOTAL CAPITAL ASSETS, NET	<u>45,949</u>
TOTAL ASSETS	<u><u>\$ 839,887</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 34,223
Accrued payroll and related expenses	408,359
Settlements payable, current	110,000
Note payable	426,427
TOTAL CURRENT LIABILITIES	<u>979,009</u>
Settlements payable, long-term	237,647
TOTAL LIABILITIES	<u>1,216,656</u>
NET POSITION (DEFICIT)	
Invested in capital assets, net of related debt	45,949
Deficit in unrestricted	(422,718)
TOTAL NET POSITION (DEFICIT)	<u>(376,769)</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 839,887</u></u>

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, 2021

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 1,789,972	\$ -	261,953	\$ -	\$ (1,528,019)
Instructional related technology	62,520	-	-	-	(62,520)
Food services	24,519	24	38,977	-	14,482
General administration	87,052	-	-	-	(87,052)
School administration	437,026	-	-	-	(437,026)
School Board	304,212	-	-	-	(304,212)
Operation of plant	732,875	-	-	130,048	(602,827)
Fiscal services	74,124	-	-	-	(74,124)
Pupil transportation	32,595	-	-	-	(32,595)
Community services	31,355	7,315	-	-	(24,040)
Total Governmental Activities	\$ 3,576,250	\$ 7,339	\$ 300,930	\$ 130,048	\$ (3,137,933)
GENERAL REVENUES:					
					3,277,805
					59,331
					<u>3,337,136</u>
					199,203
					<u>(575,972)</u>
					<u>\$ (376,769)</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, 2021

	Governmental Fund
ASSETS	
Cash and cash equivalents	\$ 452,662
Accounts receivable	440
Due from related parties	287,886
Prepaid expenses	52,950
TOTAL ASSETS	<u>\$ 793,938</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 34,223
Accrued payroll and related expenses	408,359
Settlements payable, current	110,000
TOTAL CURRENT LIABILITIES	<u>552,582</u>
Settlements payable, long-term	237,647
TOTAL LIABILITIES	<u>790,229</u>
FUND BALANCE	
Nonspendable	
Prepaid expenses	52,950
Deficit in unassigned	(49,241)
TOTAL FUND BALANCE	<u>3,709</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 793,938</u>

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

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balance - Governmental Funds	\$	3,709
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		45,949
Long term liabilities are not due in the current period and accordingly, are not reported as fund liabilities.		<u>(426,427)</u>
Total Net Position (Deficit) - Governmental Activities	\$	<u><u>(376,769)</u></u>

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 BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund	Capital Outlay Fund	Total Governmental Funds
REVENUES				
State passed through local school district	\$ 3,277,805	\$ -	\$ -	\$ 3,277,805
Federal lunch program	-	38,977	-	38,977
Federal passed through state	-	261,953	-	261,953
State capital outlay funding	-	-	130,048	130,048
Charges for services	7,339	-	-	7,339
Other	59,331	426,427	-	485,758
TOTAL REVENUES	\$ 3,344,475	\$ 727,357	\$ 130,048	\$ 4,201,880
EXPENDITURES				
Current:				
Instruction	\$ 1,523,142	\$ 261,953	\$ -	\$ 1,785,095
Instructional related technology	62,520	-	-	62,520
Food services	-	24,519	-	24,519
General administration	87,052	-	-	87,052
School administration	437,026	-	-	437,026
School Board	304,212	-	-	304,212
Operation of plant	602,827	-	130,048	732,875
Fiscal services	74,124	-	-	74,124
Transportation	32,595	-	-	32,595
Community services	31,355	-	-	31,355
TOTAL EXPENDITURES	\$ 3,154,853	\$ 286,472	\$ 130,048	\$ 3,571,373
Excess of revenues over expenditures	189,622	440,885	-	630,507
OTHER FINANCING SOURCES				
Transfers (out) in	440,885	(440,885)	-	-
Total other financing sources	440,885	(440,885)	-	-
NET CHANGE IN FUND BALANCE	630,507	-	-	630,507
Fund balance (deficit) at beginning of year, restated	(626,798)	-	-	(626,798)
Fund balance at end of year	\$ 3,709	\$ -	\$ -	\$ 3,709

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

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2021

Change in Fund Balance - Governmental Funds \$ 630,507

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.

Depreciation expense (4,877)

Proceeds from issuance of long-term debt are reported as an other financing source in the governmental funds. However, in the statement of net position, the amount of funds borrowed is reported as an increase in notes payable.

(426,427)

Change in Net Position of Governmental Activities \$ 199,203

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

**CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – ORGANIZATION AND OPERATIONS

Reporting Entity

Championship Academy of Distinction at Davie, Inc. (the “School”) 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, is a charter school and is a component unit of the District Board of Broward County, Florida (the “District”). The School is governed by a Board of Directors composed of four members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter agreement effective until June 30, 2026. The charter may be renewed as provided in Section 1002.33 or 1002.331, Florida Statutes, upon mutual consent between the School and the District and execution of a written renewal. 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 which case the District is required to notify the School in writing at least ninety days prior to the charter's expiration. The School contract provides in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown.

These financial statements are for the year ended June 30, 2021, when approximately 457 students were enrolled in grades Kindergarten through 8th grade.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits per State and Local Governments and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes under standards set by the Governmental Accounting Standards Board (“GASB”).

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 do not include fiduciary funds.

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 which report fees, (2) operating grants and contributions which finance annual operating activities, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. 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, liabilities, equity, revenues and expenditures. Major individual governmental funds, namely, the general, special revenue, debt service, and capital project funds are reported as separate columns in the fund financial statements.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

The School utilizes the following major governmental funds:

General Fund – is the School’s primary operating fund. The General Fund accounts for all financial resources not accounted for and reported in another fund.

Special Revenue Fund – used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service and capital projects.

Capital Projects Fund – in accordance with guidelines established by the School Board of Broward County, Florida, 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 Guidelines*.

The government-wide statements report using the economic resources measurement focus and the 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. Revenues from non-exchange transactions are reported according to Governmental Accounting Standards Board (GASB) Codification Section 1600.111 and Section N50 “*Accounting and Financial Reporting for Non-Exchange Transactions*.” On the accrual basis, revenues from grants and donations are recognized 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. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The 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. 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.

Budgetary Basis of 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, purchased services, and capital outlay) within each activity (e.g. instructional, pupil personnel services and school administration). Any revisions to the annual budget are approved by the Board.

Cash and Cash Equivalents

The School’s cash is considered to be cash on hand and demand deposits, with original maturities of three months or less.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. The School capitalization levels are \$1,000 on tangible personal property. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the costs 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:

	Estimated Useful Lives <u>(years)</u>
Improvements other than building	5
Furniture, fixtures, and equipment	3 - 5

Compensated Absences

The School grants a specific number of days for sick/personal leave. Full-time office and administrative employees are eligible for up to ten days of active work during the ten-month period (a “benefit year”). Teachers are eligible for up to ten days of active work during the benefit year. In the event that available time is not used by the end of the benefit year, employees may not “rollover” all unused days for use in future benefit years. There is an opportunity for teachers to “cash out” unused days; however, teachers may only cash out if they have not used their ten eligible days by the end of the benefit year.

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 days available to be used in future benefit 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.

Government-wide Fund Net Position

Government-wide fund net position are divided into three components:

- Net investment in capital assets – consists of the historical cost capital assets less accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets plus deferred outflows of resources less deferred inflows of resources. The net investment in capital assets for the year ending June 30, 2021, was \$45,949.
- Restricted net assets – consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments less related liabilities and deferred inflows of resources. There were no restricted net assets at June 30, 2021.
- Unrestricted – all other net position is reported in this category.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable – 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). At June 30, 2021, the School’s non-spendable fund balance was \$52,950.
- 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. At June 30, 2021, there is no restricted fund balance.
- 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. At June 30, 2021, there is no committed fund balance.
- 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. At June 30, 2021, there is no assigned fund balance.
- Unassigned – fund balance is the residual classification for the School’s general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

The School considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, or unassigned amounts are considered to have been spent when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The finance officer will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-city funds, city funds, and funds passed through the District. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The finance officer has the authority to deviate from this policy if it is in the best interest of the School.

Revenue Sources

Revenues for operations will be received primarily from the District School Board of Broward County (the “School Board”) 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 School Board. Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Sources (Continued)

The School may also receive federal grant awards and State financial assistance for the enhancement of various educational programs. Federal awards and State financial assistance are generally received based on an application submitted to and approved by various granting agencies. For federal awards and state financial assistance 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. This activity is recorded in the Special Revenue Fund and Capital Outlay Fund. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Income Taxes

Championship Academy of Distinction at Davie, Inc. qualifies as a tax exempt organization under the 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. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

NOTE 3 - CASH DEPOSITS

It is the School's policy to maintain its cash and cash equivalents in one financial institution. Deposits at FDIC-insured financial institutions are insured up to \$250,000 per depositor, per financial institution. As of June 30, 2021, the School's bank balances totaled \$453,322 and exceeded the FDIC limit by \$203,322.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Capital Assets				
Improvements other than building	\$ 45,349	\$ -	\$ -	\$ 45,349
Furniture, fixtures, and equipment	195,894	-	-	195,894
Total Capital Assets	<u>241,243</u>	<u>-</u>	<u>-</u>	<u>241,243</u>
Less Accumulated Depreciation				
Improvements other than building	\$ (45,349)	\$ -	\$ -	\$ (45,349)
Furniture, fixtures, and equipment	(145,068)	(4,877)	-	(149,945)
Total Accumulated Depreciation	<u>\$ (190,417)</u>	<u>\$ (4,877)</u>	<u>\$ -</u>	<u>\$ (195,294)</u>
Capital Assets, net	<u>\$ 50,826</u>	<u>\$ (4,877)</u>	<u>\$ -</u>	<u>\$ 45,949</u>

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 - CAPITAL ASSETS (Continued)

For the year ended June 30, 2021, depreciation expense totaled \$4,877, which was allocated to instruction in the statement of activities.

NOTE 5 – LONG-TERM LIABILITIES

On May 14, 2020, the School received loan proceeds in the amount of \$426,427 from a financial institution 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 (the “covered period”) 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 monthly over two years at an interest rate of 1%, with a deferral of payments for the first 10 months following the covered period, with all unpaid principal and accrued interest due on May 14, 2022. At this time, the School is in the process of applying for forgiveness with the financial institution. As a result the loan is reflected as a liability on the accompanying statement of net position.

NOTE 6 – TRANSACTIONS WITH FORMER MANAGEMENT COMPANY

In July 2016, the School entered into a contract with Charter School Management Solutions, LLC (“CSMS”) for the general management of the day-to-day educational and operational aspects of the School through the contract term, ending June 30, 2026. Under the terms of the agreement, the School paid fourteen and a half percent (14.5%) of FEFP revenues, less the District’s administrative fee, in monthly installments.

On September 19, 2020, the School terminated the agreement with CAP due to breach of contract, at which time, the School’s Board of Directors assumed the management of the day-to-day educational and operational aspects of the School.

During the year ended June 30, 2021, the School paid management fees to CSMS of \$438,301 and received a contribution from CSMS of \$149,224, related to balances owed and receivable, respectively. There are no balance due from or to CSMS as of June 30, 2021.

The following schedule provides a summary of changes in the amounts due from (to) CSMS for the year ended June 30, 2021:

	<u>Due from CSMS</u>	<u>Due to CSMS</u>	<u>Total Due from (to) CSMS</u>
Balance at July 1, 2020	\$ 59,764	\$ (246,815)	\$ (187,051)
Fees invoiced	-	(102,026)	(102,026)
Amounts (received) paid	(149,224)	438,301	289,077
Balance at June 30, 2021	<u>\$ (89,460)</u>	<u>\$ 89,460</u>	<u>\$ -</u>

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 – RELATED PARTY TRANSACTIONS

The School transacts with other charter schools, Championship Academy of Distinction at Hollywood Middle, Inc. (“CADM”) and Championship Academy of Distinction at Hollywood, Inc. CADH”), which are related through common control by the School’s management and Board of Directors. At times, the related charter schools may pay expenses on behalf of the School and vice versa, which are recorded as amounts due to or from related parties. 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.

Amounts due from related parties as of June 30, 2021 are as follows:

Due to CADH	\$ 295,731
Due to CADM	<u>(7,845)</u>
Due to related parties	<u>\$ 287,886</u>

In September 2020, the School terminated its agreement with the former management company. Refer to Note 6 for transactions with former management during the year ended June 30, 2021.

In April 2021, the School entered into a management consulting agreement with a company that is owned by the former President of the School’s Board of Directors. See Note 9.

The School has a settlement payable to Championship Academy of Distinction K-8, Inc., a charter school that is managed by the School’s former management company. See Notes 6 and 8.

NOTE 8 – SETTLEMENTS PAYABLE

On June 30, 2021, the School entered into a settlement agreement in the amount of \$269,314 with Tripp Scott P.A. for payments owed related to legal services performed for the School during the year. Under the terms of the agreement, the School is to pay \$5,000 at execution of the agreement, followed by twelve monthly payments of \$5,000 beginning July 1, 2021 through July 1, 2022, and twenty monthly payments of \$10,000 beginning August 1, 2022 through March 1, 2024, with a final payment of \$4,314 due on April 1, 2024. Once the School makes its December 2023 payment, and has made all prior payments and/or prepaids those amounts, it shall receive a credit against the January – March 2024 monthly payments of \$10,000 each month and against the April 2024 payment of \$4,314 and the settlement will be considered paid in full. The settlement amount owed by the School totaled \$264,314 at June 30, 2021.

In July 2021, the School, along with the related entities CADM and CADD, entered into a settlement agreement with Championship Academy of Distinction K-8, Inc. (“K-8”) for amounts owed totaling \$250,000. The total settlement payable of \$250,000 was allocated equally among each school. The amounts owed are related to transactions that occurred between K-8 and the School in prior years while they were under common management. The School terminated its agreement with said management on September 19, 2020 as described in Note 6. Under the terms of the agreement, a payment of \$40,000 is due in July 2021, followed by monthly payments of \$10,000 through May 2023. Each school will pay an equal portion of amounts owed. The portion of the total settlement that is owed by the School at June 30, 2021 was \$83,333.

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 – SETTLEMENTS PAYABLE

The following is a schedule of the future minimum payments under the settlement agreements.

<u>Year Ended June 30</u>	
2022	\$ 110,000
2023	153,333
2024	84,314
Total	<u>\$ 347,647</u>

NOTE 9 – CONSULTING AGREEMENT

In April 2021, the School entered into a consulting agreement with Solutions Academy, LLC for the period commencing April 5, 2021 through June 30, 2027 to assist in the management of the School’s operations, marketing, educational programs and facility improvement plans. The former President of the School’s Board of Directors is the owner of Solutions Academy, LLC. Under the terms of the agreement, the School pays ten percent (10%) of FEFP revenues in monthly installments. During the year ended June 30, 2021, the School incurred and paid fees of \$77,385 related to the agreement.

NOTE 10 – PROFESSIONAL SERVICES CONTRACT

In March 2021, the School entered into an agreement with Building Hope Services to provide accounting and finance services to the School. The contract, renewable annually, calls for an annual fee of \$100 per student based on enrollment at the beginning of the school year, payable in monthly installments. For the year ended June 30, 2021, the School incurred fees related to this agreement totaling \$15,232. At June 30, 2021 the School owed \$11,424 to Building Hope Services which is included in accounts payable and accrued liabilities.

NOTE 11 – LEASE COMMITMENTS

The School entered into a 25-year lease agreement for its educational facility in November 2013. During the year ended June 30, 2021 monthly rent expense was \$59,987 in July and was decreased to \$33,333 per month beginning August 1, 2020 through July 31, 2021. The annual base rent beginning August 1, 2021 is \$540,000 payable monthly. Subsequently, the annual base rent will be adjusted based on the Consumer Price Index. The agreement also requires the School to pay insurance, utilities, and other costs. Rental expense charged to operations for the year ended June 31, 2021 totaled \$426,250. The School has also recorded prepaid rent expense of \$52,950 at June 30, 2021.

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>Year Ended June 30</u>	
2022	\$ 528,333
2023	549,900
2024	560,898
2025	572,116
2026	606,076
2027 - 2031	3,220,422
2032 - 2036	3,542,823
2037 - 2039	1,578,627
Total	<u>\$ 11,159,195</u>

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12 – GRANTS

In the normal course of operations, the School receives grant funds from various federal, state and local agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. 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. In the opinion of the School, there are no significant liabilities relating to grant compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 13 – 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 in the past. In addition, there were no reductions in insurance coverage from those in the prior year. The School does not sponsor a public entity risk pool and has had no settlements that have exceeded their insurance coverage.

NOTE 14– LEGAL MATTERS

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

NOTE 15 – COVID-19 PANDEMIC

The World Health Organization (“WHO”) declared the coronavirus (COVID-19), a global pandemic and public health emergency. At this point, the School cannot reasonably estimate the extent to which this disruption may continue to impact the School’s financial statements and future results of operations.

NOTE 16 – RESTATEMENT

The School’s 2020 net position and fund balance are being adjusted to reflect accrued payroll taxes and rent payable in the correct period as follows:

School's net position as previously reported, June 30, 2020	\$ (199,270)
Adjustment to accrue for rent payments owed related to prior years	(119,541)
Adjustment to accrue for taxes owed related to prior years	<u>(257,161)</u>
School's net position at June 30, 2020, as restated	<u><u>\$ (575,972)</u></u>
School's fund balance as previously reported, June 30, 2020	\$ (250,096)
Adjustment to accrue for rent payments owed related to prior years	(119,541)
Adjustment to accrue for taxes owed related to prior years	<u>(257,161)</u>
School's fund balance at June 30, 2020, as restated	<u><u>\$ (626,798)</u></u>

CHAMPIONSHIP ACADEMY OF DISTINCTION AT DAVIE, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 17 – SUBSEQUENT EVENTS

The School has evaluated subsequent events through October 7, 2021, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require adjustment of additional disclosure in the financial statements, other than the matter described below.

Subsequent to year-end, the School paid the Department of Treasury – Internal Revenue Service \$257,161 for payroll taxes owed from prior periods. As a result, an adjustment was recorded to restate the School's prior net position and fund balance. See Note 16.

In July 2021, the School entered into a settlement agreement with Championship Academy of Distinction K-8, Inc. The School has recorded a settlement payable in connection with the agreement. See Note 8.

REQUIRED SUPPLEMENTAL INFORMATION

CHAMPIONSHIP ACADEMY OF DISTINCTION OF DAVIE, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local school district	\$ 2,520,361	\$ 2,430,368	\$ 3,277,805
Local and other revenue	-	-	66,670
TOTAL REVENUES	\$ 2,520,361	\$ 2,430,368	\$ 3,344,475
EXPENDITURES			
Instruction	\$ 1,082,830	\$ 865,976	\$ 1,523,142
Instructional related technology	-	36,381	62,520
Food services	57,534	51,737	-
General administration	-	98,956	87,052
School administration	236,547	623,429	437,026
School Board	-	207,000	304,212
Operation of plant	837,419	727,719	602,827
Maintenance of plant	30,000	30,000	-
Fiscal services	60,000	-	74,124
Transportation	30,000	25,705	32,595
Community services	-	-	31,355
TOTAL EXPENDITURES	\$ 2,334,330	\$ 2,666,903	\$ 3,154,853
Excess (deficiency) of revenues over expenditures	\$ 186,031	\$ (236,535)	\$ 189,622
Transfer of funds	-	-	440,885
Net change in fund balance	\$ 186,031	\$ (236,535)	\$ 630,507

See accompanying note to the required supplemental information.

**CHAMPIONSHIP ACADEMY OF DISTINCTION OF DAVIE, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal passed through state	\$ 247,519	\$ 264,515	\$ 727,357
TOTAL REVENUES	<u>\$ 247,519</u>	<u>\$ 264,515</u>	<u>\$ 727,357</u>
EXPENDITURES			
Instruction	\$ 167,519	\$ 251,348	\$ 261,953
Food services	80,000	13,167	24,519
TOTAL EXPENDITURES	<u>\$ 247,519</u>	<u>\$ 264,515</u>	<u>\$ 286,472</u>
Transfers (out) in	<u>-</u>	<u>-</u>	<u>(440,885)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to the required supplemental information.

**CHAMPIONSHIP ACADEMY OF DISTINCTION OF DAVIE, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2021, has been prepared according to Board procedures. During the fiscal year, expenditures were controlled at the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general and special revenue funds for which a legally adopted budget exists.

Budgets are presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay).



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*

Board of Directors of
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 Championship Academy of Distinction at Davie, Inc. (the "School") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 7, 2021.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying management letter as item 2021-002.

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
October 7, 2021



MANAGEMENT LETTER

Board of Directors of
 Championship 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 non-major component unit of the District School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated October 7, 2021.

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 Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which is dated October 7, 2021, 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. Corrections have been made in the preceding financial report, except as noted in the tabulation below and as described below in Financial Condition and Management.

Tabulation of Uncorrected Audit Findings		
Current Year	2019-2020 FY	2018-2019 FY
2021-001		
2021-002	2020-003	
2021-003		
2021-004	2019-003	2019-003

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that 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 Florida Department of Education of the entity is Championship of Academy of Distinction at Davie, Inc.; #365422.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require 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 not meet 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 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. The financial condition assessment procedures applied in connection with our audit, has lead us to believe that the School's overall financial condition as of June 30, 2021 is not deteriorating.

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 have the following recommendations:

2021-001 : Deficit in Net Position and Unassigned Fund Balance

Observation

Pursuant to Sections 218.39(5), Florida Statutes, the auditor must notify each member of the governing body for which a fund balance deficit in total or for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit, as reported on the fund financial statements of entities required to report under governmental financial reporting standards or on the basic financial statements of entities required to report under not-for-profit financial reporting standards, for which sufficient resources of the local governmental entity, charter school, charter technical career center, or district school board, as reported on the fund financial statements, are not available to cover the deficit.

Condition

The School has a deficit in net position of \$376,769 and a deficit in the unassigned fund balance of \$49,241 at June 30, 2021.

Cause

The School's former management company prepared and provided the School's budget to the governing board and the school district in the prior year. The School was unable to amend the prior year budget to account for the sizeable management fees that were ultimately charged by former management, resulting in a deficit in the prior year. While the deficit was reduced during the year ending June 30, 2021 and there was a positive change in net position, the School's overall deficit in fund balance remained at June 30, 2021. In addition, the School experienced significant legal fees as a result of unanticipated litigation, which increased current liabilities significantly.

Effect

The School has a deficit in net position of \$376,769 and a deficit in the unassigned fund balance of \$49,241 at June 30, 2021.

Recommendation

The School's Governing Board should approve the adopted annual budget by July 1st of each year and review the budget on a monthly basis compared to actual revenues and expenses. As needed and appropriate, the budget should be amended and approved by the governing board following the October and February FTE periods and should account for significant unanticipated revenues and expenditures. In addition, the School should complete the submission of the Paycheck Protection Program loan forgiveness application as this would put them in a positive net position if the loan were to be forgiven.

Management response

The School is in the process of applying for forgiveness of the Paycheck Protection Program loan. This will move us into a positive net position. The Governing Board will implement a policy of procedure to review, approve and adopt the annual budget by July 1, of each year. The Governing board will make it a priority to review the budget on a monthly basis and compare it to actual revenues and expenses. The Governing Board will also keep in regular contact with the accountant to discuss said monthly review and request attendance as deemed necessary. Moreover, the Governing Board will amend and approve the budget as needed following the October and February FTE period and account for significant unanticipated revenues and expenditures.

2021-002 – Budget

Condition and Criteria:

Per Florida Statute 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 expenditures and should be updated periodically to reflect major changes.

Cause:

The School did have an initial adopted and amended budget during the fiscal year, however, the final budget was not balanced and displayed an excess of expenditures over revenues for the year ended June 30, 2021.

Effect:

Budgets are created and maintained to help management control operations related to the revenues earned and expenditures spent during the year.

Recommendation:

Although the School had an excess of revenues over expenditures at the end of the June 30, 2021 fiscal year, it is important that the School maintain a balanced budget throughout the year to assist management and the board in properly managing the School.

Management response

The school will maintain a balanced budget with periodical review of the same so as to make sure it is updated for significant changes throughout the year. The current, and any updated budget, will immediately be shared with the Governing Board and management so that they efficiently and accurately evaluate the budget as a part of their review process.

2021-003 – Allocation of Expenses

Condition and Criteria:

The School shares certain expenses with another related charter school. At times, one charter school pays certain expenditures and is reimbursed by the other charter school. During our audit we noted certain expenditures not being properly allocated on a timely basis resulting in adjustments to amounts due from/to related parties and related revenues/expenditures.

Cause:

In our testing of revenues and disbursements we noted several shared revenues and expenditures that were not properly supported or adjusted for allocation between related schools.

Effect:

The School's change in net position or fund balance could be under or overstated if the proper allocation between schools is not made on a timely basis.

Recommendation:

Although adjustments were made to properly allocate amounts under each school, management needs to allocate these amounts on a timely basis to verify that each school is reimbursed on timely basis.

Management Response:

The school, and management, understands how important it is to properly allocate the school's expenses. We will make sure that all expenses are properly allocated and that a priority is placed on the efficient and timely reimbursement if applicable.

2021-004: Segregation of Duties/Policies and procedures

Condition and Criteria:

During the audit, we noted that the School's policies and procedures were updated in response to the prior audit finding 2019-003. However, there were subsequent changes to management and staffing and the policies and procedures were not updated to reflect current duties and responsibilities. It was also noted that processes are not established for the preparation and review of key journal entries (such as expense allocations) and the reconciliation and review of receivables and payables at financial closing, resulting in adjustments to reconcile receivables and payables at year-end. In addition, the School has only one authorized signer, who is the owner of the current management consulting company, and all checks only require one signature.

Cause:

Due to turnover in the School's management and personnel, accounting policies and procedures were not formalized and documented for current duties and responsibilities and certain year-end adjustments were not made prior to the commencement of the audit.

Effect:

The adequate segregation of duties is the fundamental tenant of internal control. Lack of establishing and documenting key duties and responsibilities related to segregation of duties and management reconciliation and review allows for errors, both intentional and unintentional, to go undetected.

Recommendation:

Auditor recommends that the School updates their accounting policies and procedures manual to properly document the responsibilities and duties of current management, consultants and staff and to include procedures for the preparation, review and reconciliation of journal entries, receivables and payables at financial closing. In addition, the School should require an additional authorized signer for checks or payments over a determined threshold.

Management Response

The school will sit down with the accounting firm and update their policies and procedures manual so that the responsibilities and duties of the current management, consultants and staff are clear and concise. We will also make sure that the procedures for preparation, review and reconciliation of journal entries, receivables and payables at financial closing is globally understood. The Governing Board will add an additional authorized signer for checks or payments over a certain amount, which will be determined after consulting with the accounting firm.

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 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 which warrants the attention of those charged with governance. In connection with our audit, we noted finding 2020-002.

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, the Board of Directors, applicable management, and the School Board of Broward County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Verdepin DeArmas Trujillo".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 7, 2021