



**The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus**  
(A Charter School under The Charter Schools of Excellence, Inc.  
and a Component Unit of The School Board of Broward County, Florida)

Fort Lauderdale, Florida

Financial Statements and  
Independent Auditor's Report

June 30, 2021

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The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
(A charter school under The Charter Schools of Excellence, Inc. )

W/L #: 5271

2801 North University Drive,  
Pembroke Pines, Florida 33024

2020-2021

BOARD OF DIRECTORS

Jeffrey S. Wood, President  
Katrina Wilson-Davis, Vice-President  
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Patricia Archer, Director

SCHOOL ADMINISTRATION

Tracy Nessler, Superintendent, until June 30, 2021  
Rosa Dyer, Superintendent effective July 1, 2021  
Cynthia Pierre, Principal



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Charter Schools of Excellence, Inc.  
Fort Lauderdale, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus (the "School"), a charter school under The Charter Schools of Excellence, Inc. , which is a component unit of the District School Board of Broward County, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## **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 Charter Schools of Excellence, Inc. #5271 Davie 1 Campus 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.

## **Other Matters**

As described in Note 1, the accompanying financial statements referred to above present only the financial position of as of June 30, 2021, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of The Charter Schools of Excellence, Inc. These financial statements do not purport to and do not present fairly the financial position of The Charter Schools of Excellence, Inc. as of June 30, 2021 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information on pages 34 through 39 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 29, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 29, 2021

## Management's Discussion and Analysis

The Charter Schools of Excellence, Inc. #5271 Davie Campus 1  
(A Charter School Under The Charter Schools of Excellence, Inc. )

June 30, 2021

The corporate officers of The Charter Schools of Excellence, Inc. #5271 Davie Campus 1 have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2021.

### Financial Highlights

1. The net position of the Charter School at June 30, 2021 was a deficit of \$116,557.
2. At year-end, the School had current assets on hand of \$703,125.
3. The net position of the School decreased by \$263,800 during the year.
4. The unassigned fund balance at year end was \$443,004.

### 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, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between the four is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

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

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

#### Fund Financial Statements

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

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

The Board of the School adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the major 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 15-33 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was a deficit of \$116,557 at the close of the fiscal year. A summary of the School's net position as of June 30, 2021 and 2020 follows:

|  | 2021                | 2020              |
|--|---------------------|-------------------|
| Cash                                       | \$ 136,290          | \$ 111,075        |
| Investments                                | 550,000             | 92,000            |
| Prepaid expenses                           | 3,985               | 19,521            |
| Due from other agencies                    | -                   | 7,548             |
| Other assets                               | 12,850              | 20,068            |
| Capital assets, net                        | 757,972             | 841,233           |
| <b>Total Assets</b>                        | <b>1,461,097</b>    | <b>1,091,445</b>  |
| <b>Deferred outflows of resources</b>      | <b>1,057,963</b>    | <b>810,527</b>    |
| Accounts payable and accrued liabilities   | 140,692             | 92,601            |
| Salaries and wages payable                 | 96,401              | 95,770            |
| Capital lease obligations and loan payable | 460,049             | 220,814           |
| Net pension liability                      | 1,899,760           | 1,258,204         |
| <b>Total Liabilities</b>                   | <b>2,596,902</b>    | <b>1,667,389</b>  |
| <b>Deferred inflows of resources</b>       | <b>38,715</b>       | <b>91,799</b>     |
| <b>Net Position:</b>                       |                     |                   |
| Net investment in capital assets           | 297,923             | 620,419           |
| Unrestricted                               | (414,480)           | (477,635)         |
| <b>Total Net Position</b>                  | <b>\$ (116,557)</b> | <b>\$ 142,784</b> |

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

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| <b>REVENUES</b>                            |                     |                     |
| Program Revenues                           |                     |                     |
| Operating grants and contributions         | \$ 301,835          | \$ 190,051          |
| Capital outlay funding                     | 162,065             | 156,852             |
| Charges for services                       | 59,401              | 114,418             |
| General Revenues                           |                     |                     |
| Local sources (FTE and other non specific) | 2,219,024           | 2,204,683           |
| Other revenue                              | 21,407              | 168,738             |
| <b>Total Revenues</b>                      | <u>\$ 2,763,732</u> | <u>\$ 2,834,742</u> |
| <b>EXPENSES</b>                            |                     |                     |
| Instruction                                | \$ 1,541,762        | \$ 1,425,368        |
| Student support services                   | 12,488              | 13,150              |
| Instructional staff training               | 4,652               | 1,871               |
| Board                                      | 30,415              | 29,605              |
| General administration                     | 36,517              | 36,050              |
| School administration                      | 576,438             | 809,901             |
| Fiscal services                            | 52,716              | 67,041              |
| Food services                              | 108,231             | 113,888             |
| Central services                           | 110,992             | 115,013             |
| Pupil transportation services              | 42,506              | 12,907              |
| Operation of plant                         | 344,222             | 412,783             |
| Maintenance of plant                       | 122,029             | 105,920             |
| Community services                         | 29,023              | 114,683             |
| Interest                                   | 15,541              | 19,188              |
| <b>Total Expenses</b>                      | <u>3,027,532</u>    | <u>3,277,368</u>    |
| Change in Net Position                     | (263,800)           | (442,626)           |
| Net Position at Beginning of Year          | 147,243             | 585,410             |
| Net Position (Deficit) at End of Year      | <u>\$ (116,557)</u> | <u>\$ 142,784</u>   |

The School's revenues and expenses decreased by \$75,918 and \$249,836, respectively. The School had a decrease in its net position of \$263,800 for the year.

### **School Location and Lease of Facility**

The School leases a facility located at 2801 North University Drive, Pembroke Pines, Florida 33024.

### **Capital Improvement Requirements**

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, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$459,839. The fund balance unassigned and available for spending at the School's discretion is \$443,004. These funds will be available for the School's future ongoing operations.

### **Capital Assets**

The School's investment in capital assets as of June 30, 2021 amounts to \$757,972 (net of accumulated depreciation). This investment in capital assets includes improvements, textbooks and materials, and furniture, fixtures and equipment. As of June 30, 2021, the School had \$129,001 of debt associated to its capital assets.

## Governmental Fund Budget Analysis and Highlights

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

|                                    | Governmental Fund   |                     |                     |
|------------------------------------|---------------------|---------------------|---------------------|
|                                    | Original<br>Budget  | Final Budget        | Actual              |
| <b>REVENUES</b>                    |                     |                     |                     |
| Program Revenues                   |                     |                     |                     |
| State capital outlay funding       | \$ 202,075          | \$ 162,200          | \$ 162,065          |
| Federal sources                    | 220,900             | 205,995             | 206,112             |
| Lunch program                      | 104,002             | 107,003             | 109,158             |
| Charges for services               | 35,050              | 40,500              | 45,966              |
| General Revenues                   |                     |                     |                     |
| FTE and other nonspecific revenues | 2,325,232           | 2,214,389           | 2,219,024           |
| Charges and other revenues         | 15,000              | 20,121              | 21,407              |
| Total Revenues                     | <u>\$ 2,902,259</u> | <u>\$ 2,750,208</u> | <u>\$ 2,763,732</u> |
| <b>CURRENT EXPENDITURES</b>        |                     |                     |                     |
| Instruction                        | \$ 1,139,312        | \$ 1,192,883        | \$ 1,188,877        |
| Student support services           | 5,000               | 13,000              | 12,488              |
| Instructional staff training       | 5,000               | 5,000               | 4,652               |
| Board                              | 25,600              | 30,600              | 30,415              |
| General administration             | 46,250              | 37,489              | 36,517              |
| School administration              | 537,887             | 561,681             | 560,079             |
| Fiscal services                    | 51,375              | 52,716              | 51,405              |
| Food services                      | 97,300              | 109,552             | 108,231             |
| Central services                   | 120,375             | 112,950             | 110,992             |
| Pupil transportation services      | 52,000              | 43,000              | 42,506              |
| Operation of plant                 | 282,566             | 329,773             | 325,499             |
| Maintenance of plant               | 46,000              | 55,486              | 55,016              |
| Community Services                 | 61,000              | 33,929              | 25,573              |
| Total Current Expenditures         | <u>\$ 2,469,665</u> | <u>\$ 2,578,059</u> | <u>\$ 2,552,250</u> |

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

### Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to the Senior Management Team, The Charter Schools of Excellence, Inc., 1217 Southeast 3<sup>rd</sup> Avenue, Fort Lauderdale, Florida 33316.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
(A charter school under The Charter Schools of Excellence, Inc.)

Statement of Net Position  
June 30, 2021

| <u>Assets</u>   | <u>Governmental<br/>Activites</u> |
|---|-----------------------------------|
| Current assets:                                       |                                   |
| Cash  | \$ 136,290                        |
| Investments   | 550,000                           |
| Prepaid expenses                                      | 3,985                             |
| Other assets  | 12,850                            |
| Total current assets                                  | <u>703,125</u>                    |
| Capital assets, depreciable                           | 1,134,705                         |
| Less: accumulated depreciation                        | <u>(376,733)</u>                  |
|   | <u>757,972</u>                    |
| Total Assets  | <u>1,461,097</u>                  |
| <b><u>Deferred Outflows of Resources</u></b>          |                                   |
| Deferred outflows related to pension liability        | <u>1,057,963</u>                  |
| <b><u>Liabilities</u></b>                             |                                   |
| Current liabilities:                                  |                                   |
| Accounts payable and accrued expenses                 | 140,692                           |
| Salaries and wages payable                            | 96,401                            |
| Capital lease obligations and long-term debt, current | 426,923                           |
| Total Current Liabilities                             | <u>664,016</u>                    |
| Net pension liability                                 | 1,899,760                         |
| Capital lease obligations and long-term debt          | <u>33,126</u>                     |
| Total Liabilities                                     | <u>2,596,902</u>                  |
| <b><u>Deferred Inflows of Resources</u></b>           |                                   |
| Deferred inflows related to pension liability         | <u>38,715</u>                     |
| <b>Net Position:</b>                                  |                                   |
| Net investment in capital assets                      | 297,923                           |
| Unrestricted (deficit)                                | <u>(414,480)</u>                  |
| Total Net Position                                    | <u>\$ (116,557)</u>               |

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

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
(A charter school under The Charter Schools of Excellence, Inc.)

Statement of Activities  
For the year ended June 30, 2021

| FUNCTIONS                            | Expenses         | Program Revenues        |  |  | Net (Expense)<br>Revenue<br>and Changes<br>in Net Position |
|--------------------------------------|------------------|-------------------------|--|--|--|
|                                      |                  | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |
| <b>Governmental activities:</b>      |                  |                         |  |  |  |
| Instruction                          | \$ 1,541,762     | \$ -                    | \$ 187,183                               | \$ -                                   | \$ (1,354,579)   |
| Student support services             | 12,488           | -                       | -  | -                                      | (12,488)   |
| Instructional staff training         | 4,652            | -                       | -  | -                                      | (4,652)  |
| Board                                | 30,415           | -                       | -  | -                                      | (30,415)   |
| General administration               | 36,517           | -                       | -  | -                                      | (36,517)   |
| School administration                | 576,438          | -                       | -  | -                                      | (576,438)  |
| Fiscal services                      | 52,716           | -                       | -  | -                                      | (52,716)   |
| Food services                        | 108,231          | 8,527                   | 95,723                                   | -                                      | (3,981)  |
| Central services                     | 110,992          | -                       | -  | -                                      | (110,992)  |
| Pupil transportation services        | 42,506           | -                       | -  | -                                      | (42,506)   |
| Operation of plant                   | 344,222          | -                       | -  | 162,065                                | (182,157)  |
| Maintenance of plant                 | 122,029          | -                       | 18,929                                   | -                                      | (103,100)  |
| Community services                   | 29,023           | 50,874                  | -  | -                                      | 21,851   |
| Interest on long-term debt           | 15,541           | -                       | -  | -                                      | (15,541)   |
| <b>Total governmental activities</b> | <b>3,027,532</b> | <b>59,401</b>           | <b>301,835</b>                           | <b>162,065</b>                         | <b>(2,504,231)</b>   |
| General revenues:                    |                  |                         |  |  |  |
| FTE and other nonspecific revenues   |                  |                         |  |  | 2,219,024  |
| Other revenues                       |                  |                         |  |  | 21,407   |
| Change in net position               |                  |                         |  |  | (263,800)  |
| Net position, beginning, restated    |                  |                         |  |  | 147,243  |
| Net position (deficit), ending       |                  |                         |  |  | \$ (116,557)   |

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

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
(A charter school under The Charter Schools of Excellence, Inc.)

Balance Sheet - Governmental Funds  
June 30, 2021

|   | General Fund      | Special Revenue Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|-------------------|----------------------|------------------------------|--------------------------|
| <b><u>Assets</u></b>  |                   |                      |                              |                          |
| Cash  | \$ 130,097        | \$ 6,193             | \$ -                         | \$ 136,290               |
| Investments   | 550,000           | -                    | -                            | 550,000                  |
| Prepaid expenses  | 3,985             | -                    | -                            | 3,985                    |
| Other assets  | 12,850            | -                    | -                            | 12,850                   |
| Total Assets  | <u>696,932</u>    | <u>6,193</u>         | <u>-</u>                     | <u>703,125</u>           |
| <b>Deferred Outflows of Resources</b>                             |                   |                      |                              |                          |
|   | <u>-</u>          | <u>-</u>             | <u>-</u>                     | <u>-</u>                 |
| <b><u>Liabilities</u></b>   |                   |                      |                              |                          |
| Salaries and wages payable  | 96,401            | -                    | -                            | 96,401                   |
| Accounts payable and accrued expenses                             | 140,692           | -                    | -                            | 140,692                  |
| Due to fund   | -                 | -                    | -                            | -                        |
| Total Liabilities   | <u>237,093</u>    | <u>-</u>             | <u>-</u>                     | <u>237,093</u>           |
| <b>Deferred Inflows of Resources</b>                              |                   |                      |                              |                          |
|   | <u>-</u>          | <u>-</u>             | <u>-</u>                     | <u>-</u>                 |
| <b><u>Fund balance</u></b>  |                   |                      |                              |                          |
| Nonspendable  | 16,835            | -                    | -                            | 16,835                   |
| Assigned  | -                 | 6,193                | -                            | 6,193                    |
| Unassigned  | 443,004           | -                    | -                            | 443,004                  |
|   | <u>459,839</u>    | <u>6,193</u>         | <u>-</u>                     | <u>466,032</u>           |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 696,932</u> | <u>\$ 6,193</u>      | <u>\$ -</u>                  | <u>\$ 703,125</u>        |

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

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
(A charter school under The Charter Schools of Excellence, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
June 30, 2021

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Total Fund Balance - Governmental Funds \$ 466,032

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

Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the fund.

|                          |                  |         |
|--------------------------|------------------|---------|
| Capital assets           | 1,134,705        |         |
| Accumulated depreciation | <u>(376,733)</u> | 757,972 |

Deferred outflows of resources related to pension liability. 1,057,963

Noncurrent liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the fund.

|                               |             |
|-------------------------------|-------------|
| Net pension liability         | (1,899,760) |
| Deferred inflows of resources | (38,715)    |

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.

(460,049)

Total Net Position - Governmental Activities \$ (116,557)

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

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
(A charter school under The Charter Schools of Excellence, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the year ended June 30, 2021

|  | General Fund     | Special Revenue Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|------------------|----------------------|------------------------------|--------------------------|
| <b>Revenues:</b>                               |                  |                      |                              |                          |
| State capital outlay funding                   | \$ -             | \$ -                 | \$ 162,065                   | \$ 162,065               |
| State passed through local                     | 2,219,024        | -                    | -                            | 2,219,024                |
| Federal sources                                | -                | 206,112              | -                            | 206,112                  |
| Federal school lunch program                   | -                | 95,723               | -                            | 95,723                   |
| Charges for services                           | 45,966           | 13,435               | -                            | 59,401                   |
| Other revenue                                  | 21,407           | -                    | -                            | 21,407                   |
| <b>Total Revenues</b>                          | <b>2,286,397</b> | <b>315,270</b>       | <b>162,065</b>               | <b>2,763,732</b>         |
| <b>Expenditures:</b>                           |                  |                      |                              |                          |
| <b>Current</b>                                 |                  |                      |                              |                          |
| Instruction                                    | 1,001,694        | 187,183              | -                            | 1,188,877                |
| Student support services                       | 12,488           | -                    | -                            | 12,488                   |
| Instructional staff training                   | 4,652            | -                    | -                            | 4,652                    |
| Board  | 30,415           | -                    | -                            | 30,415                   |
| General administration                         | 36,517           | -                    | -                            | 36,517                   |
| School administration                          | 560,079          | -                    | -                            | 560,079                  |
| Food services                                  | -                | 108,231              | -                            | 108,231                  |
| Fiscal services                                | 51,405           | -                    | -                            | 51,405                   |
| Central services                               | 110,992          | -                    | -                            | 110,992                  |
| Pupil transportation services                  | 42,506           | -                    | -                            | 42,506                   |
| Operation of plant                             | 159,984          | -                    | 162,065                      | 322,049                  |
| Maintenance of plant                           | 36,087           | 18,929               | -                            | 55,016                   |
| Community services                             | 25,573           | 3,450                | -                            | 29,023                   |
| <b>Capital Outlay:</b>                         |                  |                      |                              |                          |
| Other capital outlay                           | 34,133           | -                    | -                            | 34,133                   |
| <b>Debt Service:</b>                           |                  |                      |                              |                          |
| Repayment of capital lease obligations         | -                | -                    | 93,124                       | 93,124                   |
| Interest                                       | -                | -                    | 15,541                       | 15,541                   |
| <b>Total Expenditures</b>                      | <b>2,106,525</b> | <b>317,793</b>       | <b>270,730</b>               | <b>2,695,048</b>         |
| Excess (deficit) of revenues over expenditures | 179,872          | (2,523)              | (108,665)                    | 68,684                   |
| <b>Other financing sources (uses)</b>          |                  |                      |                              |                          |
| Transfers in (out)                             | (112,922)        | 4,257                | 108,665                      | -                        |
| Long term debt advances                        | 331,048          | -                    | -                            | 331,048                  |
| Net change in fund balance                     | 397,998          | 1,734                | -                            | 399,732                  |
| Fund Balance at beginning of year, as restated | 61,841           | 4,459                | -                            | 66,300                   |
| Fund Balance at end of year                    | \$ 459,839       | \$ 6,193             | \$ -                         | \$ 466,032               |

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

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
 (A charter school under The Charter Schools of Excellence, Inc.)

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

For the year ended June 30, 2021

Net Change in Fund Balance - Governmental Funds \$ 399,732

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differed from depreciation expense.

|                      |                  |          |
|----------------------|------------------|----------|
| Capital Outlay       | 34,133           |          |
| Depreciation expense | <u>(117,394)</u> | (83,261) |

The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds differed repayments. (239,235)

The changes in net pension liability and related deferred inflows and outflows are not reported in the fund statements and the net effect is to decrease net position. (341,036)

Change in Net Position of Governmental Activities \$ (263,800)

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



## **Note 1 – Summary of Significant Accounting Policies**

### Reporting Entity

The Charter Schools of Excellence, Inc. #5271 Davie Campus 1 (the "School"), is a component unit of the School Board of Broward County, Florida (the "District"). The Schools charter is held by The Charter Schools of Excellence, Inc. , a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of The Charter Schools of Excellence, Inc. , which is composed of eight members and also governs one other charter school. The board has determined that no component units exist that would require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Broward County, Florida. The current charter expires on June 30, 2028 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School is located in Pembroke Pines, Florida for students from kindergarten through fifth grade. These financial statements are for the year ended June 30, 2021, when on average 287 students were enrolled for the school year.

### Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

### 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 about the School as a whole. Any internal inter-fund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds.

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

Program revenues include: (1) charges for services, such as food service and student activity fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants and contributions specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues and other miscellaneous sources.

## **Note 1 – Summary of Significant Accounting Policies (continued)**

### *Fund Financial Statements*

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

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

*Special Revenue Fund* – accounts for specific revenues, such as federal funding, federal lunch program, and COVID-19 emergency relief funding that are legally restricted to expenditures for particular purposes. Also, accounts for resources of the School's Internal Fund, which is used to administer monies collected in connection with school, student athletics, class, and club activities.

### Measurement Focus and Basis of Accounting

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

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

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available.

Non-exchange transactions occur when the School provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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. Charges for services and fees are recognized when cash is collected as amounts are not measurable.

When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made.

**Note 1 – Summary of Significant Accounting Policies (continued)**

Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Budgets and Budgetary Accounting

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

Cash, Cash Equivalents and Investments

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

The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School follows the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, GASB Statement No. 72, *Fair Value Measurement and Application*, and other related standards which establish accounting and financial reporting standards for all investments (see Note 2). Money market investment that have maturities of one year or less from the date of acquisition are reported at amortized cost rather than fair value. Amortized cost closely approximates fair value.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with a cost of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government wide financial statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds. Estimated useful lives, in years, for depreciable assets are as follows:

|                                     |              |
|-------------------------------------|--------------|
| Improvements                        | 5 - 30 Years |
| Furniture, Equipment, and Computers | 5 - 10 Years |
| Software                            | 3 Years      |

**Note 1 – Summary of Significant Accounting Policies (continued)**

Prepaid Expenses and Other Assets

Other assets consist mainly of prepaid expenses which are payments for goods or services that have not been consumed or used at year end. The expenditure will be recorded when the asset is used. Accordingly, prepaid expenses are equally offset by a nonspendable fund balance classification.

Inter-fund Transfers

Interfund receivables/payables are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Due from Other Governments or Agencies

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

Compensated Absences

Full time employees of the School, after 30 days of employment, are entitled to be paid for eight or ten days of sick leave in each calendar year, depending on whether they are ten or twelve month employees, respectively. In the event of termination, each qualifying employee is not entitled to receive payment for accumulated unused sick days. Each full time twelve-month employee is entitled to annual paid vacation leave, which is accrued when earned. The amount of paid vacation time ranges from five days after one-year employment to fifteen days after ten years employment. In the event of termination, each qualifying employee is entitled to receive payment equal to one hundred percent of the value of the total accumulated unused vacation days.

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

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

Deferred Outflows/Inflows of Resources

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

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

Net Pension Liability

As a participating employer in the Florida Retirement System, the School recognizes its proportionate share of the collective net pension liabilities of the Florida Retirement System (FRS) cost-sharing multiple-employer defined benefit plans. Additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the FRS.

The School's retirement plans and related amounts are described in a subsequent note.

Revenue Sources

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

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

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

## **Note 1 – Summary of Significant Accounting Policies (continued)**

### Net Position and Fund Balance Classification

#### *Government-wide financial statements*

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

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for a specific purpose, it is the Schools's policy to use restricted resources first, until exhausted, before using unrestricted resources.

#### *Fund financial statements*

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

- a) Nonspendable - includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end relate to not in spendable form assets.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification that is 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. Assigned fund balances at year end pertain to the School's internal account.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

## **Note 1 – Summary of Significant Accounting Policies (continued)**

### Income Taxes

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

### New Accounting Standard Adopted

In fiscal year 2021, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: Statement No. 84 *Fiduciary Activities*. See Note 11.

### Pronouncements Issued But Not Yet Effective

GASB has issued GASB Statement No. 87 *Leases*, effective fiscal year 2022, that will affect the future financial position, results of operations, or financial presentation of the School upon implementation. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

### Use of Estimates

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

### Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 29, 2021, which is the date the financial statements were available to be issued.

## **Note 2 – Cash and Investments**

### Deposits

The School maintains its cash and cash equivalents in two financial institutions. Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under The Charter Schools of Excellence, Inc. , which also operates another charter school. All bank accounts are opened under the account ownership of The Charter Schools of Excellence, Inc. , therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2021, there were no bank balances in potential excess of FDIC coverage.

### Investments

The School follows the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

**Note 2 – Cash and Investments (continued)**

At June 30, 2021, the School had \$610,000 invested in a governmental money market mutual fund that is exempt from GASB 72 fair value hierarchy disclosures. The governmental money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of June 30, 2021, maturities of the fund's portfolio holdings are approximately 79% within 30 days.

Credit Risk

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

*Custodial credit risk* is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2021, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

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



**Note 3 – Capital Assets**

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2021:

|                                    | Balance<br>07/01/20 | Additions /<br>Transfers In | Retirements /<br>Reclassification | Balance<br>06/30/21 |
|------------------------------------|---------------------|-----------------------------|-----------------------------------|---------------------|
| Capital Assets:                    |                     |                             |                                   |                     |
| Improvements                       | \$ 960,915          | \$ -                        | \$ (15,839)                       | \$ 945,076          |
| Furniture, equipment and computers | 265,444             | 34,133                      | (116,058)                         | 183,519             |
| Computer software                  | 9,495               | -                           | (3,385)                           | 6,110               |
|                                    | <u>1,235,854</u>    | <u>34,133</u>               | <u>(135,282)</u>                  | <u>1,134,705</u>    |
| Total Capital Assets               |                     |                             |                                   |                     |
| Less Accumulated Depreciation:     |                     |                             |                                   |                     |
| Improvements                       | (370,696)           | (94,761)                    | 139,485                           | (325,972)           |
| Furniture, equipment and computers | (22,527)            | (20,596)                    | (4,203)                           | (47,326)            |
| Computer software                  | (1,398)             | (2,037)                     | -                                 | (3,435)             |
|                                    | <u>(394,621)</u>    | <u>(117,394)</u>            | <u>135,282</u>                    | <u>(376,733)</u>    |
| Total Accumulated Depreciation     |                     |                             |                                   |                     |
| Capital Assets, net                | <u>\$ 841,233</u>   | <u>\$ (83,261)</u>          | <u>\$ -</u>                       | <u>\$ 757,972</u>   |

For the fiscal year ended June 30, 2021, depreciation expense is allocated in the Statement of Activities by function as follows:

|                            |           |                |
|----------------------------|-----------|----------------|
| Instruction                | \$        | 11,849         |
| School administration      |           | 16,359         |
| Operation of plant         |           | 22,173         |
| Maintenance of plant       |           | 67,013         |
| Total Depreciation Expense | <u>\$</u> | <u>117,394</u> |

**Note 4 – Education Service and Support Provider**

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

The agreement is with The Charter Schools of Excellence, Inc. and unless terminated by the board shall be renewed on an annual basis. During the year ended June 30, 2021, the School incurred \$129,375 in fees related to this agreement, which was payable at year-end.

**Note 5 – Transactions with other Divisions of The Charter Schools of Excellence, Inc.**

The Charter Schools of Excellence, Inc. operates one other charter school. The schools operated by The Charter Schools of Excellence, Inc. share administrative staff, as well as other operating expenses.

Other

The School conducts certain business with a foundation controlled by a member of its Board of Directors and deems that all services and materials supplied are arm's length transactions and at fair value. In addition, this member recuses from voting on matters relating to these transactions. See Note 7.

The former Superintendent of the School is an officer of the Florida Consortium of Public Charter Schools. From time to time the School conducts business with the Consortium. During the year ended June 30, 2021, the School received approximately \$9,700 in reimbursements of salaries and wages for common employees of the School and the Consortium.

The Charter Schools of Excellence, Inc. has entered into a lease for its administrative offices and classrooms with a private foundation whose Board of Directors includes the Superintendent and three members of the School's Board of Directors. From time to time funds are loaned between the Schools and the Foundation. See Note 7.

**Note 6 – Capital Lease Obligations and Loans Payable**

Capital Lease

The School entered into a capital lease agreements for the acquisition of certain computer equipment which is stated at acquisition cost and reported as capital assets. At June 30, 2021, the cost of leased equipment recorded in capital assets was \$115,833, with accumulated depreciation of \$36,551, for a net book value of \$79,282.

The following is a summary of the future minimum lease payments, under capital leases together with the present value of the minimum lease payments as of June 30, 2021:

| Fiscal Year                              | Payments         |
|--|------------------|
| 2022                                     | \$ 29,869        |
| 2023                                     | 29,869           |
| 2024                                     | 4,978            |
| Total                                    | 64,716           |
| Less amount representing interest:       | (9,131)          |
| Present Value of Minimum Lease Payments: | <u>\$ 55,585</u> |

**Note 6 – Capital Lease Obligations and Loans Payable (continued)**

Line of Credit

In January 2020, the Charter Schools of Excellence, Inc. renewed a \$150,000 line of credit with a financial institution. The loan is secured by a lien on the equipment and fixtures, inventory, and accounts receivable of the Charter Schools of Excellence, Inc. At June 30, 2021, no balance of the line of credit was allocated to the School. Interest, when incurred, is charged at the prime rate plus one and a half percent. The line of credit matured on March 18, 2021, and no interest expense was allocated to the School for the year ended June 30, 2021.

Paycheck Protection Program

On August 12, 2020, The Charter Schools of Excellence, Inc., was granted a loan from a financial institution in the amount of \$630,207, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan, which was in the form of a note dated August 12, 2020, issued by The Charter Schools of Excellence, Inc., matures on August 20, 2022.

The Charter Schools of Excellence, Inc. has fully expended the loan proceeds on payroll costs within the covered period and the loan forgiveness application was submitted to lender on August 20, 2021. The proceeds from the loan were recorded equitably on the books of the School and The Charter Schools of Excellence, Inc. #5031 Fort Lauderdale Campus. As of September 29, 2021, the loan has been approved for forgiveness and will be recognized as other income during the 2021-2022 fiscal year-end.

Note Payable (Long-Term Debt)

The School has an outstanding note payable of \$145,040, net of unamortized debt issuance costs of \$1,789, to Building Hope, Inc., a charter schools facilities fund. The proceeds were used to cover the costs associated with capital improvements. The note bears interest at six percent and is payable in monthly installments of interest and principal of \$5,765. The loan matures in July 2022. The note is secured by a lien on the leasehold improvements owned by The Charter Schools of Excellence, Inc.

|                                   | Balance<br>06/30/20 | Advances          | Repayments         | Balance<br>06/30/21 |
|-----------------------------------|---------------------|-------------------|--------------------|---------------------|
| Capital lease obligation          | \$ 80,186           | \$ -              | \$ (24,601)        | \$ 55,585           |
| PPP note payable                  | -                   | 331,048           | -                  | 331,048             |
| Note payable                      | 145,040             | -                 | (69,835)           | 75,205              |
| Less debt issuance costs          | (3,101)             | -                 | 1,312              | (1,789)             |
| Total Long Term Note Payable, net | <u>\$ 222,125</u>   | <u>\$ 331,048</u> | <u>\$ (93,124)</u> | <u>\$ 460,049</u>   |

Future maturities of long-term debt as of June 30, 2021 are as follows:

| Fiscal Year | Principal        | Interest        | Total            |
|-------------|------------------|-----------------|------------------|
| 2022        | \$ 66,006        | \$ 3,177        | \$ 69,183        |
| 2023        | 7,410            | 146             | 7,556            |
| Total       | <u>\$ 73,416</u> | <u>\$ 3,323</u> | <u>\$ 76,739</u> |

**Note 7 – Commitments, Contingencies and Concentrations**

Leases

The School entered into an operating lease agreement for its Davie Campus facilities with a lease term expiring on April 16, 2023 with an option to renew for an additional five year period. The lease calls for an annual base rent of \$97,040 to be adjusted annually based on the Consumer Price Index (CPI).

In addition, the School leases administrative offices from Charter Holdings Foundation, Inc. a private foundation controlled by members of the Board of Directors. The amended lease continues through April 16, 2023 and the monthly base rent is \$4,655 to be adjusted annually based on the Consumer Price Index. See Note 5. Rent expense is allocated between the School and The Charter Schools of Excellence, Inc. #5031 Fort Lauderdale 1 Campus.

For 2021, rent expense related to the facility totaled \$118,873. Of this amount, approximately \$6,600 and was paid to a related party, respectively.

Future minimum payments under this lease are as follows:

| Year |    |         |
|------|----|---------|
| 2022 | \$ | 120,200 |
| 2023 | \$ | 120,200 |

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Contingencies and Concentrations

The School receives substantially all of its funding from the State through the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2021, administrative fees withheld by the School District totaled \$36,517.

Employment Contracts

The Board of Directors of The Charter Schools of Excellence, Inc. entered into an employment contract with its Superintendents. The term of these agreement commenced April 16, 2008 and continues until April 15, 2023 or until employment is terminated.

### **Note 7 – Commitments, Contingencies and Concentrations (continued)**

Under the terms of this contract, the Superintendent is entitled to severance pay if the contract is terminated without showing reasonable cause in the amount equal to all of the aggregate salary and benefits to which the Superintendent would have otherwise been entitled under the agreement, from the date of termination for the remaining term of the agreement, in a lump sum within thirty days after the date of termination. As of June 30, 2021, the School has entered into separation agreements in connection with its two Superintendent employment contracts and all compensation has been recognized and paid at year end.

#### Legal Contingencies

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 8 – Risk Management**

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

### **Note 9 – Retirement Plans**

#### Defined Benefit Pension Plan

*Plan Description.* The School participates in the Florida Retirement System (FRS) Pension Plan and the Retiree Health Insurance Subsidy (HIS) Program. The FRS is a cost-sharing, multiple-employer, defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established to assist retired members of any State-administered retirement system in paying the costs of health insurance and administered in accordance with section 112.363, Florida Statutes. Such provisions may be amended at any time by further action from the Florida Legislature. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *DROP Plan Participants* – Members of FRS who have effectively retired and continue covered employment for up to five years.

**Note 9 – Retirement Plans (continued)**

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits. The School had one DROP participant during fiscal 2020.

Benefits Provided. The FRS provides a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in the School. The HIS benefit is a monthly payment to assist retirees of the state-administered retirement system in paying their health insurance costs.

A DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust and accrue interest.

Contributions - The contribution rates for members are established, and may be amended, by the State of Florida. During the 2021 fiscal year, contribution rates were as follows:

| Class or Plan                                 | Percent of Gross Salary |              |
|---|-------------------------|--------------|
|   | Employee                | Employer (A) |
| Florida Retirement System, Regular            | 3.00%                   | 10.00%       |
| DROP Plan Participants                        | 0.00%                   | 16.98%       |
| Florida Retirement System, Reemployed Retiree | (B)                     | (B)          |

(A) Employer rates include 1.66% for the post employment health insurance supplement and 0.06% for administrative costs of the Public Employee Optional Retirement Program.

**Note 9 – Retirement Plans (continued)**

Employer contributions are recognized by the FRS in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the FRS. Employer contributions recognized by the FRS from the School were \$104,782 for the FRS and \$25,152 for the HIS for the year ended June 30, 2021.

Defined Contribution Plan. Effective July 1, 2002, the FRS Investment Plan was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer contributions that are based on salary and membership class (i.e., regular class, reemployed retiree, etc.).

Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. The School had two Investment Plan participants during fiscal 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The School reports a liability for its proportionate share of net pension liabilities. Net pension liabilities were measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability were determined by an actuarial valuation as of that date. The School's proportions of the net pension liability was based on the School's actuarially determined share of contributions to the pension plans, relative to the contributions of all participating entities.

At June 30, 2021, the School reported a liability of \$1,899,760 for its proportionate share of net pension liability, consisting of \$1,366,839 for the FRS and \$532,921 for the HIS. The School's proportion of the net pension liability was calculated using accrued retirement contributions for employers that were members of the FRS and HIS during fiscal years 2013, 2014, 2015, 2016, 2017, 2018, 2019, and 2020.

At June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 the School's proportions for FRS were 0.000863994 percent, 0.000943401 percent, 0.001496062 percent, 0.001589406 percent, 0.001468793 percent, 0.001686331 percent, 0.002460791 and 0.003153652 percent respectively; the School's proportions for HIS were 0.001353724 percent, 0.001598480 percent, 0.002286370 percent, 0.002616358 percent, 0.002609312 percent, 0.002908991, 0.003670765 and 0.004364682 percent, respectively.

For the year ended June 30, 2021, the School recognized a net pension expense after GASB 68 adjustments of \$466,127. Employer contributions in the allocated schedules for the defined benefit plans represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer. The year-to-year pension expense number is likely to be volatile.

**Note 9 – Retirement Plans (continued)**

At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| <b>Florida Retirement System</b>  |                                      |                                     |
| Difference between expected and actual experience   | \$ 52,312                            | \$ -                                |
| Changes of assumptions or other inputs  | 247,441                              | -                                   |
| Net difference between projected and actual earnings<br>on pension plan investments                                   | 81,383                               | -                                   |
| Changes in proportion and differences between<br>contributions recognized and proportionate share<br>of contributions | 281,456                              | 7,009                               |
| Contributions subsequent to the measurement date  | 125,875                              | -                                   |
| Total Florida Retirement System   | \$ 788,467                           | \$ 7,009                            |

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| <b>Health Insurance Subsidy Program</b>   |                                      |                                     |
| Difference between expected and actual experience   | \$ 21,800                            | \$ 411                              |
| Changes of assumptions or other inputs  | 57,304                               | 30,987                              |
| Net difference between projected and actual earnings<br>on pension plan investments                                   | 425                                  | -                                   |
| Changes in proportion and differences between<br>contributions recognized and proportionate share<br>of contributions | 158,995                              | 308                                 |
| Contributions subsequent to the measurement date  | 30,215                               | -                                   |
| Total Health Insurance Subsidy Program  | \$ 268,739                           | \$ 31,706                           |

Contributions of \$156,090, consisting of \$125,875 for the FRS and \$30,215 for the HIS, are reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended June 30, 2021.



**Note 9 – Retirement Plans (continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the years ended June 30, as follows:

|            | FRS               | HIS              |
|------------|-------------------|------------------|
| 2021       | \$ 78,543         | \$ 13,321        |
| 2022       | 122,326           | 9,881            |
| 2023       | 103,977           | 2,700            |
| 2024       | 62,158            | 6,270            |
| 2025       | 14,133            | 8,537            |
| Thereafter | -                 | 7,423            |
| Total      | <u>\$ 381,136</u> | <u>\$ 48,131</u> |

Actuarial Assumptions – The total pension liability for FRS and HIS were determined by an actuarial valuation as of June 30, 2020, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40 percent. Payroll growth for both plans is assumed at 2.40 percent. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.80 percent. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS program uses a pay-as-you-go funding structure, a municipal bond rate of 2.21 percent was used to determine the total pension liability for the program.

Mortality assumptions for the FRS Pension Plan and the HIS Program were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The following changes in actuarial assumptions occurred in 2020:

- FRS: The long-term expected rate of return was decreased from 6.90% to 6.80%,
- HIS: The municipal bond rate used to determine total pension liability was decreased from 3.50% to 2.21%, and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions for the FRS Pension Plan that determined the total pension liability as of June 30, 2020 were based on the results of an actuarial experience study for the period June 30, 2013 through June 30, 2018.

**Note 9 – Retirement Plans (continued)**

Long-Term Expected Rate of Return – The long-term expected rate of return on Pension Plan investment was not based on historical returns, but instead on a forward-looking capital market economic model. The allocation policy’s description of each asset class was used to model the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.

The FRS's long-term expected rate of return assumption of 6.8% used in GASB discount rate calculations, on pension plan investments, consists of two building block components: 1) a long-term average annual inflation assumption of 2.4% as most recently adopted in October 2020 by the FRS Actuarial Assumption Conference; 2) an inferred real (in excess of inflation) return of 4.3%, which is consistent with the 4.27% real return capital market outlook model developed during 2020 by the outside investment consultant to the Florida State Board of Administration.

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class              | Target Allocation | Annual Arithmetic (Geometric) Return | Compound Annual (Geometric) Return | Standard Deviation |
|--------------------------|-------------------|--------------------------------------|------------------------------------|--------------------|
| Cash                     | 1.0%              | 2.20%                                | 2.20%                              | 1.20%              |
| Fixed income             | 19.0%             | 3.00%                                | 2.90%                              | 3.50%              |
| Global equity            | 54.2%             | 8.00%                                | 6.70%                              | 17.10%             |
| Real estate              | 10.3%             | 6.40%                                | 5.80%                              | 11.70%             |
| Private equity           | 11.1%             | 10.80%                               | 8.10%                              | 25.70%             |
| Strategic investments    | 4.4%              | 5.50%                                | 5.30%                              | 6.90%              |
| Total                    | 100.0%            |                                      |                                    |                    |
| Assumed Inflation - Mean |                   |                                      | 2.40%                              | 1.70%              |

Sensitivity of the School’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00 percent higher or 1.00 percent lower than the current discount rate at June 30, 2020.

| School's proportionate share of the: | 1% Decrease (5.80%) | Current Discount Rate (6.80%) | 1% Increase (7.80%)  |
|--------------------------------------|---------------------|-------------------------------|----------------------|
| FRS Net Pension Liability            | 2,182,612           | 1,366,839                     | 685,502              |
| School's proportionate share of the: | 1% Decrease (1.21%) | Current Discount Rate (2.21%) | 1% Increase (43.21%) |
| HIS Net Pension Liability            | 468,860             | 532,921                       | 362,299              |

**Note 10 – Interfund Transfers**

Interfund transfers in governmental funds as of June 30, 2021, consist of the following:

|   | General Fund        | Special<br>Revenue<br>Fund | Debt Service<br>Fund |
|---|---------------------|----------------------------|----------------------|
| To fund lunch deficit   | \$ (3,981)          | \$ 3,981                   | \$ -                 |
| To transfer in internal account balance                             |                     | 478                        |                      |
| Transfer interest expense from Debt Service Fund to<br>General Fund | (108,665)           | -                          | 108,665              |
| Total Transfers, net  | <u>\$ (112,646)</u> | <u>\$ 4,459</u>            | <u>\$ 108,665</u>    |

**Note 11 – Implementation of GASB 84**

As of July 1, 2020, the School implemented GASB Statement No. 84. Fiduciary Activities. This Statement establishes new criteria for identifying fiduciary activities which, when met, require that activities be reported in a fiduciary fund in the basic financial statements. Items previously reported as part of the agency fund classification of the Fiduciary Fund statements were reviewed to evaluate if they met the new custodial funds criteria. The School identified the School’s internal account as non-fiduciary and re-categorized them as assigned in the Special Revenue Fund.

The government-wide net position and fund balances were restated as a result of the implementation of GASB Statement No. 84 as follows:

|  | Fiscal Year<br>June 30, 2020<br>Original | GASB<br>Statement<br>No.84 | Fiscal Year<br>June 30, 2021<br>(Restated) |
|--|--|----------------------------|--|
| Net change in fund balances                | \$ (442,626)                             |                            | \$ (442,626)                               |
| Fund balances (deficit) at beginning       | 585,410                                  |                            | 585,410                                    |
| Restatement of beginning fund balances     | -  | 4,459                      | 4,459                                      |
| Fund balances (deficit) at the end of year | <u>\$ 142,784</u>                        |                            | <u>\$ 147,243</u>                          |
| Change in net position                     | \$ (578,353)                             |                            | \$ (578,353)                               |
| Net position (deficit), beginning          | 640,194                                  |                            | 640,194                                    |
| Restatement of beginning net position      | -  | 4,459                      | 4,459                                      |
| Net position (deficit), ending             | <u>\$ 61,841</u>                         |                            | <u>\$ 66,300</u>                           |

REQUIRED SUPPLEMENTARY INFORMATION

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
(A charter school under The Charter Schools of Excellence, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2021

|   | General Fund      |                   |                   |
|---|-------------------|-------------------|-------------------|
|   | Original Budget   | Final Budget      | Actual            |
| <b>REVENUES</b>   |                   |                   |                   |
| State passed through local                                | \$ 2,325,232      | \$ 2,214,389      | \$ 2,219,024      |
| Charges for services                                      | 35,050            | 40,500            | 45,966            |
| Other revenue   | 15,000            | 20,121            | 21,407            |
| Total Revenues  | <u>2,375,282</u>  | <u>2,275,010</u>  | <u>2,286,397</u>  |
| <b>EXPENDITURES</b>                                       |                   |                   |                   |
| Current:  |                   |                   |                   |
| Instruction   | 1,015,712         | 1,004,498         | 1,001,694         |
| Student support services                                  | 5,000             | 13,000            | 12,488            |
| Instructional staff training                              | 5,000             | 5,000             | 4,652             |
| Board   | 25,600            | 30,600            | 30,415            |
| General administration                                    | 46,250            | 37,489            | 36,517            |
| School administration                                     | 537,887           | 561,681           | 560,079           |
| Fiscal services   | 51,375            | 52,716            | 51,405            |
| Central services  | 120,375           | 112,950           | 110,992           |
| Pupil transportation services                             | 52,000            | 43,000            | 42,506            |
| Operation of plant  | 80,491            | 167,573           | 159,984           |
| Maintenance of plant                                      | 46,000            | 35,986            | 36,087            |
| Community Services  | 61,000            | 29,429            | 25,573            |
| Total Current Expenditures                                | <u>2,046,690</u>  | <u>2,093,922</u>  | <u>2,072,392</u>  |
| Excess (Deficit) of Revenues<br>Over Current Expenditures | <u>328,592</u>    | <u>181,088</u>    | <u>214,005</u>    |
| Capital Outlay  | <u>31,500</u>     | <u>31,500</u>     | <u>34,133</u>     |
| Total Expenditures  | <u>2,078,190</u>  | <u>2,125,422</u>  | <u>2,106,525</u>  |
| Excess (Deficit) of Revenues Over Expenditures            | 297,092           | 149,588           | 179,872           |
| Other financing sources (uses):                           |                   |                   |                   |
| Transfers in (out)  | 104,002           | (117,604)         | (112,922)         |
| Long term debt advances                                   | <u>-</u>          | <u>331,048</u>    | <u>331,048</u>    |
| Net change in fund balance                                | 401,094           | 363,032           | 397,998           |
| Fund Balance at beginning of year                         | <u>61,841</u>     | <u>61,841</u>     | <u>61,841</u>     |
| Fund Balance at end of year                               | <u>\$ 462,935</u> | <u>\$ 424,873</u> | <u>\$ 459,839</u> |

Notes to Budgetary Comparison Schedule

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

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
(A charter school under The Charter Schools of Excellence, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2021

|   | Special Revenue Fund |                 |                 |
|---|----------------------|-----------------|-----------------|
|   | Original Budget      | Final Budget    | Actual          |
| <b>REVENUES</b>   |                      |                 |                 |
| Federal sources   | \$ 220,900           | \$ 205,995      | \$ 206,112      |
| Federal school lunch program                              | 93,450               | 94,450          | 95,723          |
| Lunch program   | 10,552               | 12,553          | 13,435          |
| Total Revenues  | <u>324,902</u>       | <u>312,998</u>  | <u>315,270</u>  |
| <b>EXPENDITURES</b>                                       |                      |                 |                 |
| Current:  |                      |                 |                 |
| Instruction   | 123,600              | 188,385         | 187,183         |
| Food services   | 97,300               | 109,552         | 108,231         |
| Maintenance of plant                                      | -                    | 19,500          | 18,929          |
| Community Services  | -                    | 4,500           | 3,450           |
| Total Current Expenditures                                | <u>220,900</u>       | <u>321,937</u>  | <u>317,793</u>  |
| Excess (Deficit) of Revenues<br>Over Current Expenditures | <u>104,002</u>       | <u>(8,939)</u>  | <u>(2,523)</u>  |
| Total Expenditures  | <u>220,900</u>       | <u>321,937</u>  | <u>317,793</u>  |
| Excess (Deficit) of Revenues Over Expenditures            | 104,002              | (8,939)         | (2,523)         |
| Transfers in (out)  | <u>(104,002)</u>     | <u>8,939</u>    | <u>4,257</u>    |
| Net change in fund balance                                | -                    | -               | 1,734           |
| Fund Balance at beginning of year                         | <u>4,459</u>         | <u>4,459</u>    | <u>4,459</u>    |
| Fund Balance at end of year                               | <u>\$ 4,459</u>      | <u>\$ 4,459</u> | <u>\$ 6,193</u> |

Notes to Budgetary Comparison Schedule

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

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
(A charter school under The Charter Schools of Excellence, Inc.)

Required Supplementary Information  
Schedule of the School's Proportionate Share of the Net Pension Liability  
Florida Retirement System  
Last 10 Fiscal Years\*

|   | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         | 2013         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| School's proportion of the net pension liability (asset)  | 0.003153652% | 0.002460791% | 0.001686331% | 0.001468793% | 0.001589406% | 0.001496062% | 0.000943401% | 0.000863994% |
| School's proportionate share of the net pension liability (asset)   | \$ 1,366,839 | \$ 847,482   | \$ 507,932   | \$ 434,459   | \$ 401,326   | \$ 193,236   | \$ 57,561    | \$ 148,732   |
| School's covered-employee payroll   | \$ 1,187,741 | \$ 1,516,641 | \$ 950,124   | \$ 831,724   | \$ 807,699   | \$ 693,646   | \$ 474,930   | \$ 393,278   |
| School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 115.08%      | 55.88%       | 53.46%       | 52.24%       | 49.69%       | 27.86%       | 12.12%       | 37.82%       |
| Plan fiduciary net position as a percentage of the total pension liability  | 78.85%       | 82.61%       | 84.26%       | 83.89%       | 84.88%       | 92.00%       | 96.09%       | 88.54%       |

\* The amounts presented for each fiscal year were determined as of 6/30.

\* Complete 10-year information to be presented in future years as it becomes available.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
(A charter school under The Charter Schools of Excellence, Inc.)

Required Supplementary Information  
Schedule of the School's Contributions  
Florida Retirement System  
Last 10 Fiscal Years\*

|  | <u>2020</u>      | <u>2019</u>     | <u>2018</u>     | <u>2017</u>     | <u>2016</u>     | <u>2015</u>     | <u>2014</u>     | <u>2013</u>     |
|--|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ 104,782       | \$ 76,302       | \$ 48,059       | \$ 38,236       | \$ 38,760       | \$ 36,475       | \$ 20,664       | \$ 11,627       |
| Contributions in relation to the contractually required contribution | <u>(104,782)</u> | <u>(76,302)</u> | <u>(48,059)</u> | <u>(38,236)</u> | <u>(38,760)</u> | <u>(36,475)</u> | <u>(20,664)</u> | <u>(11,627)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| School's covered-employee payroll                                    | \$ 1,187,741     | \$ 1,516,641    | \$ 950,124      | \$ 831,724      | \$ 807,699      | \$ 693,646      | \$ 474,930      | \$ 393,278      |
| Contributions as a percentage of covered-employee payroll            | 8.82%            | 5.03%           | 5.06%           | 4.60%           | 4.80%           | 5.26%           | 4.35%           | 2.96%           |

\* The amounts presented for each fiscal year were determined as of 6/30.

\* Complete 10-year information to be presented in future years as it becomes available.



The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
(A charter school under The Charter Schools of Excellence, Inc.)

Required Supplementary Information  
Schedule of the School's Proportionate Share of the Net Pension Liability  
Health Insurance Subsidy Program  
Last 10 Fiscal Years\*

|   | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         | 2013         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| School's proportion of the net pension liability (asset)  | 0.004364682% | 0.003670765% | 0.002908991% | 0.002609312% | 0.002616358% | 0.002286370% | 0.001598480% | 0.001353724% |
| School's proportionate share of the net pension liability (asset)   | \$ 532,921   | \$ 410,722   | \$ 307,891   | \$ 279,000   | \$ 304,926   | \$ 233,174   | \$ 149,462   | \$ 117,859   |
| School's covered-employee payroll   | \$ 1,187,741 | \$ 1,516,641 | \$ 950,124   | \$ 831,724   | \$ 807,699   | \$ 693,646   | \$ 474,930   | \$ 393,278   |
| School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 44.87%       | 27.08%       | 32.41%       | 33.54%       | 37.75%       | 33.62%       | 31.47%       | 29.97%       |
| Plan fiduciary net position as a percentage of the total pension liability  | 3.00%        | 2.63%        | 2.15%        | 1.64%        | 0.97%        | 0.50%        | 0.99%        | 1.78%        |

\* The amounts presented for each fiscal year were determined as of 6/30.

\* Complete 10-year information to be presented in future years as it becomes available.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
(A charter school under The Charter Schools of Excellence, Inc.)

Required Supplementary Information  
Schedule of the School's Contributions  
Florida Retirement System

|  | 2020         | 2019         | 2018        | 2017        | 2016        | 2015        | 2014        | 2013        |
|--|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution                                  | \$ 25,152    | \$ 20,383    | \$ 15,776   | \$ 13,809   | \$ 13,411   | \$ 8,740    | \$ 5,476    | \$ 4,434    |
| Contributions in relation to the contractually required contribution | (25,152)     | (20,383)     | (15,776)    | (13,809)    | (13,411)    | (8,740)     | (5,476)     | (4,434)     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's covered-employee payroll                                    | \$ 1,187,741 | \$ 1,516,641 | \$ 950,124  | \$ 831,724  | \$ 807,699  | \$ 693,646  | \$ 474,930  | \$ 393,278  |
| Contributions as a percentage of covered-employee payroll            | 2.12%        | 1.34%        | 1.66%       | 1.66%       | 1.66%       | 1.26%       | 1.15%       | 1.13%       |

**Last 10 Fiscal Years\***

\* The amounts presented for each fiscal year were determined as of 6/30.

\* Complete 10-year information to be presented in future years as it becomes available.



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*

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Board of Directors of  
The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
Fort Lauderdale, 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 "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 September 29, 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) as a basis for designing 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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that were reported to management in a separate management letter pursuant to Chapter 10.850, Rules of the Auditor General dated September 29, 2021.

## **Purpose of this Report**

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 29, 2021



## MANAGEMENT LETTER

To the Board of Directors of  
The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus  
Fort Lauderdale, Florida

### **Report on the Financial Statements**

We have audited the financial statements of The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus, Fort Lauderdale, Florida, as of and for the year ended June 30, 2021 and have issued our report thereon dated September 29, 2021.

### **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 Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated September 29, 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.

Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

### **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 school code assigned by the Florida Department of Education of the entity is The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus, 5271.

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## **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 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus. It is management's responsibility to monitor The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus'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 recommendation to improve financial management. In connection with our audit, we did not have such recommendations.

## **Transparency**

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to report the results of our determination as to whether maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that 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 do not have any such recommendations.

## **Status of Prior Year Findings and Recommendations**

### **ML – 2020-01 INTERNAL ACCOUNT DEPOSITS**

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

Status: This finding has been corrected and recommendations implemented by the School in the current year.

**ML – 2020-02 INTERNAL ACCOUNT DISBURSEMENTS**

Recom-  
mendation: We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all disbursement of funds are properly documented, approved, and authorized deposits and cash receipts are properly counted, reviewed, and authorized prior to checks or other method of payment are issued.

Status: This finding has been corrected and recommendations implemented by the School in the current year.

**Purpose of this Letter**

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 29, 2021