

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF
MIAMI-DADE COUNTY, FLORIDA**

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

JUNE 30, 2014

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Management's Discussion and Analysis | 1-7 |
| Report of Independent Auditors on Basic Financial Statements and Supplementary Information | 8-9 |
| Basic Financial Statements: | |
| Statement of Net Position | 10 |
| Statement of Activities | 11 |
| Balance Sheet – Governmental Funds | 12 |
| Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position | 13 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 14 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 15 |
| Notes to Financial Statements | 16-26 |
| Required Supplementary Information: | |
| Budgetary Comparison Schedules | 27-28 |
| Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 29-30 |
| Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual School Instruction Program Providers:</i> | |
| Management Letter | 31-33 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Academy of International Education Charter School (the "School") presents Management's Discussion and Analysis, which is intended to provide an overview of the School's financial position and changes in financial position for the fiscal year ended June 30, 2014.

Since the focus of the Management's Discussion and Analysis (MD&A) is on the current year activities, resulting changes and currently known facts, it should be read in conjunction with the School's financial statements, including the accompanying notes.

FINANCIAL HIGHLIGHTS

The fiscal year ended June 30, 2014, was the School's third year of operations. The following are among the major financial highlights:

- At June 30, 2014, the School had net position of approximately \$495,000.
- At June 30, 2014, the School had current assets of approximately \$570,000.
- For the year ended June 30, 2014, the School's revenues exceeded expenses by approximately \$350,000.
- For the year ended June 30, 2014, revenues increased by approximately \$420,000.
- For the year ended June 30, 2014, expenses increased by approximately \$210,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements and the notes thereto, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditors' report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual Instruction Program Providers*.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

| | Government-wide Statements | Fund Statements |
|--|---|--|
| | | Governmental Funds |
| Scope | Entire School | The activities of the School that are not proprietary or fiduciary |
| Required financial statements | Statement of net position Statement of activities | Balance sheet Statement of revenues, expenditures and changes in fund balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| Type of asset/liability information | All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term | Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter |

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position is an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no major business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has the following types of funds:

- *General funds* – 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 revenue, such as federal grants and capital outlay grants that are legally restricted to expenditures for particular purposes.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The following table provides the School's net position for the fiscal years ended June 30, 2014 and 2013:

| | Governmental Activities | | % |
|----------------------------------|-------------------------|-------------------|--------|
| | 2014 | 2013 | Change |
| Current and other assets | \$ 570,449 | \$ 273,592 | 109% |
| Capital assets, net | 103,359 | 30,517 | 239% |
| Total assets | <u>673,808</u> | <u>304,109</u> | 122% |
| Current and other liabilities | 151,551 | 115,834 | 31% |
| Noncurrent liability | 27,126 | 39,559 | -31% |
| Total liabilities | <u>178,677</u> | <u>155,393</u> | 15% |
| Net position | | | |
| Net investment in capital assets | 76,233 | - | 100% |
| Unrestricted | 418,898 | 148,716 | 182% |
| Total net position | <u>\$ 495,131</u> | <u>\$ 148,716</u> | 233% |

Current and other assets of the School, primarily consisting of cash, increased primarily due to the current year operating surplus. Capital assets increased due to acquisitions of technology related equipment to be used for instructional purposes. The increase in current and other liabilities, is primarily the result of additional accrued payroll liabilities due to a larger faculty staff, and additional accrued expenses related to the School's lease. The reduction in noncurrent liabilities resulted from scheduled debt payments. The change in total net position was due to the current year operating surplus and activity noted above related to capital asset acquisitions.

Change in Net Position

The following table compares the changes in the School's net position from its activities for the fiscal years ended June 30, 2014 and 2013:

| | Governmental Activities | | Amount | % |
|--|--------------------------------|-------------------|--------------------------------|---------------|
| | <u>2014</u> | <u>2013</u> | <u>Increase (Decrease)</u> | <u>Change</u> |
| Revenues: | | | | |
| Federal through state grant | \$ 179,234 | \$ 181,087 | \$ (1,853) | -1% |
| State and local sources | 2,248,134 | 1,842,030 | 406,104 | 22% |
| Contributions and other revenue | 55,747 | 42,229 | 13,518 | 32% |
| Total revenues | <u>2,483,115</u> | <u>2,065,346</u> | <u>417,769</u> | 20% |
| Expenses: | | | | |
| Instruction | 1,205,309 | 1,101,189 | 104,120 | 9% |
| Student personnel services | 1,238 | - | 1,238 | 100% |
| Instructional media | 124,337 | 4,898 | 119,439 | 2439% |
| Instruction and curriculum development | 2,811 | 19,972 | (17,161) | -86% |
| Instruction-related technology | 20,217 | 39,782 | (19,565) | -49% |
| Board | 37,601 | 17,500 | 20,101 | 115% |
| General administration | 247,704 | 219,635 | 28,069 | 13% |
| School administration | 290,456 | 336,623 | (46,167) | -14% |
| Pupil transportation | 2,561 | 1,160 | 1,401 | 121% |
| Operation and maintenance of plant | 204,466 | 183,978 | 20,488 | 11% |
| Community services | - | 1,016 | (1,016) | -100% |
| Total expenses | <u>2,136,700</u> | <u>1,925,753</u> | <u>210,947</u> | 11% |
| | | | - | |
| Change in net position | <u>\$ 346,415</u> | <u>\$ 139,593</u> | <u>\$ 206,822</u> | 148% |

State and local sources increased due primarily to an increase in student enrollment. Federal through state grant and contributions and other revenue increased primarily as the result of a donation of a shade structure for the School's playground.

Increase in total expenses was primarily due to additional spending required to meet the needs of an increased student body, along with additional spending on instructional media. In addition, there was a reduction in school administration as certain prior year technology expenditures included in this function were not necessary for the current year.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial information is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

As the School completed the fiscal year, its governmental funds reported a combined fund balance of \$418,898. Both revenues and expenditures increased overall for the same reasons described above for the governmental activities.

General Fund and Special Revenue Fund Budgetary Highlights

Budget amendments, if necessary, generally fall into two categories:

- Changes made to account for changes in student enrollment.
- Increases in appropriations to prevent certain budget overruns.

For the year ended June 30, 2014, actual general fund revenues were approximately \$11,000 above the final budgeted amounts, which represents a budget variance of 0.47%. Actual general fund expenditures were approximately \$251,000 below the final budgeted amount, which represents a 11% budget variance.

Instruction expenditures were approximately \$107,000 below the final budgeted amount, which represents an 8% budget variance. This was primarily due to certain expenditures budgeted for instruction being allocated to instructional media and curriculum development services. Instructional media services were approximately \$122,000 below the amount budgeted primarily resulting from the capitalization of instructional media equipment. School administration expenditures are approximately \$13,000 more than the amount budgeted due to additional payroll and related expenditures. Operation of plant expenditures were approximately \$51,000 below the budgeted due to lower than expected operating costs.

For the year ended June 30, 2014, actual special fund revenues and expenditures were approximately 2% more than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the School had capital assets, net of accumulated depreciation and amortization, of \$103,359. During the year ended June 30, 2014 the school invested \$82,622 for capital assets pertaining mostly for technology related equipment. In addition, the School received a donation of a playground shade with a fair value of approximately \$8,900.

There were no capital asset disposals in the current year. More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

Noncurrent Liabilities

At the end of fiscal 2014, the School had \$27,126 in noncurrent liabilities outstanding. More detailed information about the School's noncurrent liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS

As a Charter School, the School receives most of its funding from FEFP, which are primarily State funds. The State of Florida, by constitution, does not have a state personal income tax and therefore, the state operates primarily using sales, gasoline and corporate income taxes.

NEXT YEAR'S BUDGET

For the year ending June 30, 2015, the School's original budget reflects the general fund revenue to be approximately \$2,469,000, which is an increase of 7% over the actual year ended June 30, 2014 amount of \$2,303,881. This expected increase results primarily from an increase in projected student enrollment. Budgeted general fund expenditures are expected to be approximately \$2,170,000, which is an increase of 7% from the actual year ended June 30, 2014 amount of \$2,030,308. This increase is primarily the result of additional teachers and instructional support services, which are necessary for accommodating the projected increased enrollment. The School further anticipates additional expenditures for operation of plant, as well as additional capital expenditures related to improvements to the School facility. The School does not anticipate that it will add any new major programs to the year ended June 30, 2015. If these estimates reflected on the budget are realized, the School's budgetary general fund balance is expected to increase for the year ending June 30, 2015.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 1080 LaBaron Drive, Miami Springs, FL 33166.

Sotolongo & Associates, P.A.

Certified Public Accountants

Report of Independent Auditors on Basic Financial Statements and Supplementary Information

To the Board of Directors of
Academy of International Education Charter School
Miami Springs, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund balance of Academy of International Education Charter School (the "School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund balance of Academy of International Education Charter School as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules on pages 1 through 7, and 27 and 28, respectively, 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 August 27, 2014, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Academy of International Education Charter School's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Sotolongo & Associates, P.A.".

Miami, Florida
August 27, 2014

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

STATEMENT OF NET POSITION

JUNE 30, 2014

| | | <u>Governmental Activities</u> |
|---|-----------------|------------------------------------|
| ASSETS | | |
| Cash | | \$ 564,042 |
| Other current assets | | 6,407 |
| Capital Assets: | | |
| Leasehold improvements | \$ 49,589 | |
| Furniture and Equipment | <u>82,622</u> | |
| Total capital assets | 132,211 | |
| Less accumulated depreciation and amortization | <u>(28,852)</u> | |
| Total capital assets, net | | <u>103,359</u> |
| Total assets | | <u><u>\$ 673,808</u></u> |
| LIABILITIES | | |
| Salaries payable and other accrued expenses | | \$ 151,551 |
| Noncurrent liability: | | |
| Due within one year | | |
| Payable to District School Board of Miami-Dade County, Florida | | 13,563 |
| Due in more than one year: | | |
| Payable to District School Board of Miami-Dade County, Florida | | <u>13,563</u> |
| Total liabilities | | <u>178,677</u> |
| NET POSITION | | |
| Net investment in capital assets | | 76,233 |
| Unrestricted | | <u>418,898</u> |
| Total net position | | <u>495,131</u> |
| Total liabilities and net position | | <u><u>\$ 673,808</u></u> |

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

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net position | |
|--|---------------------|-------------------------|--|--|--|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Total |
| Governmental activities: | Expenses | | | | | |
| Instruction | \$ 1,205,309 | \$ - | \$ - | \$ - | \$ (1,205,309) | \$ (1,205,309) |
| Student personnel services | 1,238 | - | - | - | (1,238) | (1,238) |
| Instructional media | 124,337 | - | 179,234 | - | 54,897 | 54,897 |
| Instruction and curriculum development | 2,811 | - | - | - | (2,811) | (2,811) |
| Instruction-related technology | 20,217 | - | - | - | (20,217) | (20,217) |
| Board | 37,601 | - | - | - | (37,601) | (37,601) |
| General administration | 247,704 | - | - | - | (247,704) | (247,704) |
| School administration | 290,456 | - | - | - | (290,456) | (290,456) |
| Pupil transportation | 2,561 | - | - | - | (2,561) | (2,561) |
| Operation and maintenance of plant | 204,466 | - | - | - | (204,466) | (204,466) |
| Total governmental activities | <u>\$ 2,136,700</u> | <u>\$ -</u> | <u>\$ 179,234</u> | <u>\$ -</u> | <u>\$ (1,957,466)</u> | <u>\$ (1,957,466)</u> |
| General revenues: | | | | | | |
| State and local sources | | | | | 2,248,134 | 2,248,134 |
| Contributions and other revenue | | | | | 55,747 | 55,747 |
| Total general revenues | | | | | <u>2,303,881</u> | <u>2,303,881</u> |
| Change in net position | | | | | 346,415 | 346,415 |
| Net position at beginning of year | | | | | <u>148,716</u> | <u>148,716</u> |
| Net position at end of year | | | | | <u>\$ 495,131</u> | <u>\$ 495,131</u> |

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

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2014

| | <u>General Fund</u> |
|---|--------------------------|
| ASSETS | |
| Cash | \$ 564,042 |
| Other current assets | <u>6,407</u> |
| Total assets | <u><u>\$ 570,449</u></u> |
| LIABILITIES AND FUND BALANCE | |
| Salaries payable and other accrued expenses | <u>\$ 151,551</u> |
| Total liabilities | <u>151,551</u> |
| Fund balance: | |
| Nonspendable | 6,407 |
| Unassigned | <u>412,491</u> |
| Total fund balance | <u><u>418,898</u></u> |
| Total liabilities and fund balance | <u><u>\$ 570,449</u></u> |

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

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

JUNE 30, 2014

Total fund balance – governmental fund **\$ 418,898**

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in the
governmental funds.

| | | |
|---|-----------------|---------|
| The cost of capital assets is: | \$ 132,211 | |
| Related accumulated depreciation and amortization is: | <u>(28,852)</u> | |
| Total capital assets, net | | 103,359 |

Noncurrent liabilities are not due and payable in the
current period and therefore are not reported in the
funds. Those liabilities consist of:

| | | |
|---|-----------------|-----------------|
| Payable to District School Board of Miami-Dade County, Florida | | |
| Due within one year | (13,563) | |
| Due in more than one year: | <u>(13,563)</u> | |
| | | <u>(27,126)</u> |

Total net position – governmental activities **\$ 495,131**

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

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

| | General Fund | Special Revenue Funds | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|-----------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Federal through state grant | \$ - | \$ 179,234 | - | \$ 179,234 |
| State and local sources | 2,248,134 | - | - | 2,248,134 |
| Contributions and other revenue | 55,747 | - | - | 55,747 |
| Total revenues | <u>2,303,881</u> | <u>179,234</u> | <u>-</u> | <u>2,483,115</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 1,190,365 | - | - | 1,190,365 |
| Student personnel services | 1,238 | - | - | 1,238 |
| Instructional media | 27,725 | 96,612 | - | 124,337 |
| Instruction and curriculum development | 2,811 | - | - | 2,811 |
| Instruction-related technology | 20,217 | - | - | 20,217 |
| Board | 37,601 | - | - | 37,601 |
| General administration | 247,704 | - | - | 247,704 |
| School administration | 286,720 | - | - | 286,720 |
| Pupil transportation | 2,561 | - | - | 2,561 |
| Operation and maintenance of plant | 204,466 | - | - | 204,466 |
| Debt service | | | | - |
| Payment of payable to District School Board of Miami-Dade County, Florida | - | - | 12,433 | 12,433 |
| Capital outlay | 8,900 | 82,622 | - | 91,522 |
| Total expenditures | <u>2,030,308</u> | <u>179,234</u> | <u>12,433</u> | <u>2,221,975</u> |
| Excess (deficiency) of revenues over (under) expenditures | 273,573 | - | (12,433) | 261,140 |
| Other financing sources | | | | |
| Transfers in | - | - | 12,433 | 12,433 |
| Transfers out | (12,433) | - | - | (12,433) |
| Total other financing sources (uses) | <u>(12,433)</u> | <u>-</u> | <u>12,433</u> | <u>-</u> |
| Net changes in fund balances | 261,140 | - | - | 261,140 |
| Fund balance at beginning of year | <u>157,758</u> | <u>-</u> | <u>-</u> | <u>157,758</u> |
| Fund balance at end of year | <u>\$ 418,898</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 418,898</u> |

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

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

| | |
|--|-------------------|
| Net changes in fund balances – total governmental funds | \$ 261,140 |
|--|-------------------|

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

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of capital acquisitions are allocated over their estimated useful lives and reported as depreciation and amortization expense.

The amount by which capital outlays exceeds depreciation and amortization expense is calculated as follows:

| | | | |
|-------------------------------|----|-----------------|--------|
| Capital outlays | \$ | 91,522 | |
| Depreciation and amortization | | <u>(18,680)</u> | |
| | | | 72,842 |

Repayments of noncurrent liabilities are reported as expenditures in the governmental funds because they require the use of current financial resources. They are reported as a reduction in noncurrent liabilities in the statement of net position. This amount represents the current year repayment of principal on noncurrent liabilities.

12,433

| | |
|--|--------------------------|
| Change in net position of governmental activities | <u>\$ 346,415</u> |
|--|--------------------------|

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

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE – 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Academy of International Education Charter School (the "School") is operated by Miami-Dade Foundation for Educational Innovation, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of no less than three and no more than nine members. The School commenced formal operations on August 1, 2011.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Miami-Dade County, Florida (the "School Board"). The current charter is effective until June 30, 2016, and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Recent accounting pronouncements

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

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (Continued)

The School implemented Governmental Accounting Standards Board (GASB) Statements 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and 65, Items Previously Reported as Assets and Liabilities, during the fiscal year ended June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Liabilities, Deferred Inflows of Resources, and Net Position.

Basis of presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund – to account for the proceeds of specific revenue sources, such as Federal grants and capital outlay grants that are restricted by law or administrative action to expenditure for specific purposes.
- Debt Service Fund – to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (Continued)

For purposes of these statements, the general and special revenue funds constitute major funds. The debt service fund is considered non-major and is presented as the other governmental fund.

Basis of accounting

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

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current year or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the statement of net position and balance sheet - governmental funds, and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates. The School's most significant estimate is the accrued liability for operating costs pertaining to the School's lease further described in Note 6.

Budgetary basis accounting

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

Deposits and investments

The School maintains its cash accounts in a financial institution subject to insurance coverage issued by the Federal Deposit Insurance Corporation (the "FDIC"). Under FDIC rules, the School is entitled to aggregate coverage of \$250,000 per financial institution. As of June 30, 2014, the School had deposits in a financial institution with custodial credit risk exposure in excess of FDIC coverage totaling approximately \$314,000. The School has not historically experienced losses as a result of these uninsured balances.

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (Continued)

Capital assets, depreciation and amortization

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Capital assets reflected on the statement of net position are reported at cost, or at the fair value of the assets if received via a gift, and net of accumulated depreciation and amortization. For purposes of recording capital assets, the School has a capitalization threshold of \$1,000.

The School considers that capital assets are used primarily by the instructional and school administration function, and has derived an allocation percentage of 80% and 20%, respectively for such functions.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

| | <u>Years</u> |
|-----------------------------------|--------------|
| Leasehold improvements | 4 |
| Furniture, fixtures and equipment | 4 – 10 |

Income taxes

Miami-Dade Foundation for Educational Innovation, Inc. ("MDFEI") is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

MDFEI has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

MDFEI assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that MDFEI believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service ("IRS") or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the School's financial statements, as MDFEI believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same "more likely than not" measurement threshold. With few exceptions, MDFEI is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2010.

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (Continued)

Revenue sources

Revenues for current operations are received primarily from the District School Board of Miami-Dade County, Florida pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education ("FDOE") by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the Florida Education Finance Program ("FEFP"). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. This administrative fee is calculated on the FEFP revenue up to 250 students.

The School may receive federal awards for the enhancement of various educational programs. This assistance is 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.

Net Position and Fund Balance Classifications

Government-wide financial statements

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

1. Net investment in capital assets – consists of capital assets net of accumulated depreciation and amortization, and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
2. 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. Management believes there are no restrictions on net position.
3. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (Continued)

Fund Financial Statements

Generally accepted accounting principles define the different types of fund balances that a governmental entity must use for financial reporting purposes. Fund balance amounts are to be properly reported within one of the fund balance categories listed below:

1. Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans, and notes receivable, and property held for sale (unless the proceeds are restricted committed or assigned). All nonspendable fund balances at year end relate to assets not in spendable form.
2. Restricted – fund balance associated with amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. At June 30, 2014, the School did not have any restricted fund balances.
3. Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. At June 30, 2014, the School did not have any committed fund balances.
4. Assigned – fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. At June 30, 2014, the School did not have assigned fund balances.
5. Unassigned – fund balance classification is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications.

Fund balance spending policy

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, and then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the School's board of directors. There are no minimum fund balance requirements for any of the School's funds.

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (Continued)

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 expense or expenditure until then. The School has no items that meet this criterion. 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 revenue until then. The School has no items that meet this criterion.

Subsequent events

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through August 27, 2014, which is the date the financial statements were available to be issued.

NOTE – 2 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|-------------------------------------|-------------------------|-------------------------|----------------------------------|
| Governmental activities: | | | | |
| Leasehold improvements | \$ 40,689 | \$ 8,900 | \$ - | \$ 49,589 |
| Furniture and Equipment | <u>-</u> | <u>82,622</u> | <u>-</u> | <u>82,622</u> |
| Total capital assets | <u>40,689</u> | <u>91,522</u> | <u>-</u> | <u>132,211</u> |
| Less accumulated depreciation and amortization | <u>(10,172)</u> | <u>(18,680)</u> | <u>-</u> | <u>(28,852)</u> |
| Total accumulated depreciation and amortization | <u>(10,172)</u> | <u>(18,680)</u> | <u>-</u> | <u>(28,852)</u> |
| Governmental activities capital assets, net | <u><u>\$ 30,517</u></u> | <u><u>\$ 72,842</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 103,359</u></u> |

The increase to the leasehold improvements was a donation of playground equipment with an estimated fair value of \$8,900. The donation is reflected under the captions contributions and other revenue.

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (Continued)

Depreciation and amortization expense was charged to functions as follows:

| | |
|-------------------------------------|------------------|
| Governmental activities: | |
| Instruction | \$ 14,944 |
| School administration | 3,736 |
| Total depreciation and amortization | <u>\$ 18,680</u> |

NOTE – 3 NONCURRENT LIABILITIES

Noncurrent liabilities as of June 30, 2014 consist of a payable to the School Board, which represents the financing of the School's leasehold improvements. Terms of the payable include monthly principal payments of \$1,130 free of interest. The monthly principal payments are for the period from July 1, 2013 through June 2016. The following summarizes the activity for the noncurrent liabilities during the year ended June 30, 2014:

| | |
|--|------------------|
| Balance outstanding at beginning of year | \$ 39,559 |
| Additions | - |
| Reductions | <u>(12,433)</u> |
| Balance outstanding at end of year | <u>\$ 27,126</u> |
| Amount due within one year | <u>\$ 13,563</u> |

The following table summarizes the School's future debt service requirements as of June 30, 2014:

| <u>Year ending</u> <u>June 30,</u> | <u>Amount</u> |
|---------------------------------------|------------------|
| 2015 | \$ 13,563 |
| 2016 | <u>13,563</u> |
| | <u>\$ 27,126</u> |

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (Continued)

NOTE – 4 SCHEDULES OF FEDERAL, STATE AND LOCAL REVENUE SOURCES

The following are schedules of federal, state and local revenue sources for the year ended June 30, 2014:

State and Local Sources

District School Board of Miami-Dade County, Florida:

| | |
|-------------------------------------|---------------------|
| Florida Education Finance Program | \$ 1,566,738 |
| Class size reduction | 417,028 |
| Supplemental academic instruction | 117,792 |
| Statewide teacher salary allocation | 63,344 |
| ESE guaranteed allocation | 31,542 |
| Instructional materials / textbooks | 26,663 |
| Safe schools | 9,900 |
| Teacher Lead | 4,811 |
| EEC Allocation | 1,761 |
| Other | 8,555 |
| Total | <u>\$ 2,248,134</u> |

Federal through state grant

| | |
|--------------------------------------|-------------------|
| Public Charter Schools Grant Program | <u>\$ 179,234</u> |
|--------------------------------------|-------------------|

NOTE – 5 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (Continued)

NOTE – 6 COMMITMENTS AND CONTINGENT LIABILITIES

The School receives a majority of its funding from the School Board 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 federal or state grantor agencies would not be material to the financial position of the School.

Legal matters

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

Lease commitments

The School leases the school facilities, inclusive of all classrooms, parking and ancillary spaces, located in Miami Springs, Florida from the School Board. The lease expires June 30, 2015. Management anticipates it will be able to renew the lease at the end of the lease term. The School's obligation under the lease is the proportionate share of the facility's operating expenses. Pursuant to the lease agreement, the amount of the operating expense is adjusted to the preceding year's reported actual cost per square foot for these services. For the year ended June 30, 2014, the School's lease payment obligation was based on the base operating expenses for the 2011-2012 fiscal year, which were calculated in February 2013. Management of the School has recorded accrued expenses based on anticipated increases of operating costs pertaining to the lease. The amount of the accrual is approximately \$25,000, and is included under the caption of salaries payable and other accrued expenses. The total expense related to the lease during the year ended June 30, 2014, was approximately \$204,000 and is included in the accompanying financial statements under the caption operation and maintenance of plant.

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (Continued)

The following is a schedule of future minimum lease payments as of June 30, 2014:

| Year ending | Amount |
|--------------------|-------------------|
| June 30, | |
| <u>2015</u> | <u>\$ 168,948</u> |

The School subleases a portion of its facility to an after-school program on a month to month basis. The total revenue related to this sublease in fiscal 2014 was approximately \$28,000, and is included in the accompanying financial statements under the caption of contributions and other revenue.

NOTE – 7 MANAGEMENT AGREEMENT

The School has a management agreement ("Agreement") with the School Board to provide management and administration services to the School. The Agreement calls for the School to pay the School Board an annual management fee of \$440 per full-time equivalent student or the School Board's actual cost of providing these services, whichever is less. This fee is payable in equal monthly installments and may be deferred until the School has the ability to pay the fee without creating a condition of financial emergency. For fiscal year ended June 30, 2014, management fees totaled approximately \$156,000 and are included in the accompanying financial statements under the caption of general administration expense/expenditure. The current management agreement is in effect through June 30, 2015.

NOTE – 8 DEFINED CONTRIBUTION PLAN

The School's employees are eligible to participate in a 401(k) Profit Sharing Plan ("the Plan"), which was made available by the School's payroll provider. The Plan is available to employees that meet certain eligibility criteria. The School currently does not contribute to this plan.

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2014

| | <u>Budgeted Original</u> | <u>Budgeted Final</u> | <u>GAAP Actual</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|------------------------------|---------------------------|------------------------|--|
| REVENUES | | | | |
| State and local sources | \$ 2,340,000 | \$ 2,258,110 | \$ 2,248,134 | \$ (9,976) |
| Contributions and other revenue | 31,500 | 35,000 | 55,747 | 20,747 |
| Total revenues | <u>2,371,500</u> | <u>2,293,110</u> | <u>2,303,881</u> | <u>10,771</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 1,219,584 | 1,297,553 | 1,190,365 | 107,188 |
| Student personnel services | 69,773 | 850 | 1,238 | (388) |
| Instructional media | 254,000 | 149,673 | 27,725 | 121,948 |
| Instruction and curriculum development | - | 2,607 | 2,811 | (204) |
| Instructional staff training | 9,000 | 1,000 | - | 1,000 |
| Instruction-related technology | - | - | 20,217 | (20,217) |
| Board | 60,000 | 50,000 | 37,601 | 12,399 |
| General administration | 165,400 | 247,900 | 247,704 | 196 |
| School administration | 242,309 | 274,000 | 286,720 | (12,720) |
| Pupil transportation | 2,500 | 1,550 | 2,561 | (1,011) |
| Operation and maintenance of plant | 275,000 | 255,796 | 204,466 | 51,330 |
| Capital outlay | - | - | 8,900 | (8,900) |
| Total expenditures | <u>2,297,566</u> | <u>2,280,929</u> | <u>2,030,308</u> | <u>250,621</u> |
| Excess of revenues over expenditures | 73,934 | 12,181 | 273,573 | 261,392 |
| Transfers out | - | - | (12,433) | (12,433) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(12,433)</u> | <u>(12,433)</u> |
| Net changes in fund balance | <u>\$ 73,934</u> | <u>\$ 12,181</u> | 261,140 | <u>\$ 248,959</u> |
| Fund balance at beginning of year | | | <u>157,758</u> | |
| Fund balance at end of year | | | <u>\$ 418,898</u> | |

See report of independent auditors.

ACADEMY OF INTERNATIONAL EDUCATION CHARTER SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

| | <u>Budgeted Original</u> | <u>Budgeted Final</u> | <u>GAAP Actual</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|-----------------------------------|------------------------------|---------------------------|------------------------|--|
| REVENUES | | | | |
| Federal through state grant | \$ 175,000 | \$ 175,000 | \$ 179,234 | \$ 4,234 |
| Total revenues | <u>175,000</u> | <u>175,000</u> | <u>179,234</u> | <u>4,234</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instructional media | - | - | 96,612 | (96,612) |
| Capital outlay | <u>175,000</u> | <u>175,000</u> | <u>82,622</u> | <u>92,378</u> |
| Total expenditures | <u>175,000</u> | <u>175,000</u> | <u>179,234</u> | <u>(4,234)</u> |
| Net changes in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance at beginning of year | | | <u>-</u> | |
| Fund balance at end of year | | | <u>\$ -</u> | |

See report of independent auditors.

NOTES TO BUDGETARY COMPARISON SCHEDULES

The School's budgets presented in the accompanying budgetary comparison schedules are annually adopted, and prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Amendments to the School's budgets can only be made with the approval of the board of directors.

Sotolongo & Associates, P.A.

Certified Public Accountants

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Academy of International Education Charter School
Miami Springs, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Academy of International Education Charter School (the "School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine 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 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in blue ink that reads "Sotolongo & Associates, P.A.".

Miami, Florida
August 27, 2014

ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE FLORIDA AUDITOR GENERAL,
CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS AND SIMILAR
ENTITIES, FLORIDA VIRTUAL SCHOOL, AND VIRTUAL SCHOOL
INSTRUCTION PROGRAM PROVIDERS*

Sotolongo & Associates, P.A.

Certified Public Accountants

To the Board of Directors of
Academy of International Education Charter School
Miami Springs, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Academy of International Education Charter School, a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2014, and have issued our report thereon dated August 27, 2014.

Auditor's Responsibility

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

Other Reporting Required by *Government Auditing Standards*

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated, August 27, 2014 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 all findings and recommendations made in the preceding annual financial audit report.

Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the Academy of International Education Charter School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Academy of International Education Charter School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the Academy of International Education Charter School. It is management's responsibility to monitor the Academy of International Education Charter School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. We performed the financial condition assessment procedures for the year ended June 30, 2014, which included calculation and analysis of certain financial indicators we considered relevant to the School. No deteriorating financial condition was noted as a result of this assessment.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the Academy of International Education Charter School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Academy of International Education Charter School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the School is Academy of International Education Charter School. The name of the not-for-profit entity that operates the School is Miami-Dade Foundation for Educational Innovation, Inc.

Purpose of this Letter

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

A handwritten signature in blue ink that reads "Sotolongo & Associates, P.A.".

Miami, Florida
August 27, 2014