

**TRUE NORTH CLASSICAL ACADEMY
CHARTER SCHOOL
MIAMI, FLORIDA
(A COMPONENT UNIT OF THE SCHOOL BOARD
OF MIAMI-DADE COUNTY, FLORIDA)**

**BASIC FINANCIAL STATEMENTS, INDEPENDENT
AUDITORS' REPORT AND SUPPLEMENTAL
INFORMATION**

JUNE 30, 2017

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
JUNE 30, 2017

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TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
(A Charter School Under True North Classical Academy, Inc.)

9393 Sunset Drive
Miami, FL 33173
(305)749-5725

2016-2017

BOARD OF DIRECTORS

Mr. Luis E. Diaz, Chair
Mr. Rudy Pages, Treasurer
Mr. Ernesto Rodriguez, Jr
Mr. Kent (Pete) Windhorst

SCHOOL ADMINISTRATION

Dr. Marc Snyder, Headmaster



INDEPENDENT AUDITORS' REPORT

Board of Directors
True North Classical Academy Charter School
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of True North Classical Academy Charter School (the "School"), a charter school under True North Classical Academy, Inc., and a component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2017, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 and budgetary comparison information on pages 24 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the

combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 31, 2017

Management's Discussion and Analysis
True North Classical Academy Charter School
June 30, 2017

The corporate officers of True North Classical Academy Charter School (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2017, the first full year of operations.

FINANCIAL HIGHLIGHTS

1. The liabilities of the School exceeded its assets at June 30, 2017 by \$490,641 (deficit in net position).
2. At year-end, the School had current assets of \$336,564.
3. The fund balance of the School increased by \$128,569, after other financing sources of \$320,000 for the year ended June 30, 2017.
4. The School had a positive fund balance of \$235,504 at June 30, 2017.

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, 2017 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

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

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

The government-wide financial statements can be found on pages 11 – 12 of this report.

Fund Financial Statements

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

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government’s requirements for near-term financing.

Prior to the start of the School’s fiscal year, the Board of the School adopts an annual budget for its general, special revenue, and capital projects funds. A budgetary comparison statement has been provided for the School’s governmental funds to demonstrate compliance with the School’s budget. The basic governmental fund financial statements can be found on pages 13 - 16 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 17 - 23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of a school's financial position. A summary of the School's net position as of June 30, 2017 and 2016 follows:

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Assets | | |
| Cash | \$ 122,118 | \$ 142,158 |
| Due from other agencies | 210,972 | 2,177 |
| Prepaid expenses | 3,474 | 4,118 |
| Deposits receivable and other assets | 108,033 | 64,033 |
| Capital assets, net | 469,355 | 347,473 |
| Total Assets | \$ 913,952 | \$ 559,959 |
| Liabilities and Net Position | | |
| Accounts and wages payable and accrued liabilities | \$ 209,093 | \$ 105,551 |
| Loans payable | 1,195,500 | 875,500 |
| Total Liabilities | 1,404,593 | \$ 981,051 |
| Net investment in capital assets | 469,355 | 347,473 |
| Unrestricted | (959,996) | (768,565) |
| Total Net Position | \$ (490,641) | \$ (421,092) |
| Total Liabilities and Net Position | \$ 913,952 | \$ 559,959 |

At June 30, 2017, the School's total assets were \$913,952 and total liabilities were \$1,404,593. At June 30, 2017, the School reported total net position deficit of \$490,641. This was the School's second year of operations. The School made significant investments in curriculum, academic programs and facilities to ensure future success. The deficit was primarily financed by the Dennis Bileca Institute for Character and Excellence, a foundation aligned with the School's mission.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2017 and 2016 follows:

| REVENUES | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Program Revenues | | |
| Revenue from state sources | \$ 407,393 | \$ 185,063 |
| Charges for services | 18,689 | 27,659 |
| General Revenues | | |
| FEFP nonspecific revenue | 1,942,779 | 1,274,784 |
| Fundraising & other revenue | 105,463 | 183,532 |
| Total Revenues | <u>\$ 2,474,324</u> | <u>\$ 1,671,038</u> |
| EXPENSES | | |
| Instruction | \$ 1,375,895 | \$ 959,199 |
| Instructional support services | 70,145 | 42,115 |
| Board | 16,461 | 8,611 |
| School administration | 315,769 | 322,627 |
| Fiscal services | 125,395 | 91,603 |
| Food services | 35,015 | 35,020 |
| Pupil transportation services | - | 41,888 |
| Operation of plant | 462,050 | 370,684 |
| Administrative technical services | 16,478 | 21,875 |
| Maintenance of plant | 1,771 | - |
| Unallocated depreciation | 124,894 | 80,875 |
| Total Expenses | <u>\$ 2,543,873</u> | <u>\$ 1,974,497</u> |
| Change in Net Position | (69,549) | (303,459) |
| Net Position (deficit) at Beginning of Year | <u>(421,092)</u> | <u>(117,633)</u> |
| Net Position (deficit) at End of Year | <u>\$ (490,641)</u> | <u>\$ (421,092)</u> |

The School's total revenues for the year ended June 30, 2017 were \$2,474,324 while its total expenses were \$2,543,873 for a net decrease of \$69,549. This was the School's second full year of operations. The School has increased its enrollment to 269 students in 2016-2017 and has been able to increase students, beginning the 2017-2018 school year to 315 students.

ACCOMPLISHMENTS

True North Classical Academy completed a tremendously successful second year of operations, serving over 269 students in grades K-6. True North repeated the success of its first year by maintaining a strong "A" rating and that scored amongst the top 10% of all public elementary schools in Florida on student proficiency. Most importantly, True North was able to solidify and fulfill its core mission of being a classical liberal arts school dedicated to creating a place that holds excellence in moral and intellectual virtue as the true aim of education. This mission was most palpable in the school culture which instilled within its students a joy of learning for learning's sake and a love of education. Parents were exceptionally appreciative of the moral and joyful environment and this was reflected in the almost 97% student retention rate for the next school year. Year-end parental survey showed 99% of parents rated the school an A or B on the question of "my child enjoys attending True North", "and "True North positively shaped their children's character." The high level of parental enthusiasm is a fundamental reason the school's reputation quickly spread and resulted in an over 700 person waiting list for only 44 open student slots for the upcoming school year.

SCHOOL LOCATION

The School operates in the Miami area located at 9393 Sunset Drive, Miami, FL 33173.

CAPITAL IMPROVEMENT REQUIREMENT

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

GOVERNMENTAL FUNDS

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

At the end of the fiscal year, the School's governmental funds reported a combined fund balance of \$235,504 in its second full year of operations, after \$320,000 was received in other financing sources, and a positive net change in fund balance of \$235,504.

CAPITAL ASSETS

The School's investment in capital assets, as of June 30, 2017, amounts to \$469,355 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, furniture, fixtures and equipment and audio visual materials and computer software.

LOANS PAYABLE

The School has been loaned funds since inception in the amount of \$1,195,500. These advances are not included in the Governmental Fund statements. These advances are not subject to an interest rate change and do not have a maturity date. The School intends to repay these loans when funds are available. The balance outstanding on loans at June 30, 2017 is \$1,195,500.

GOVERNMENTAL FUND BUDGET ANALYSIS

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

| | All Governmental Funds | | |
|---------------------------------------|------------------------|---------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| State passed through local | \$ 1,978,034 | \$ 1,934,792 | \$ 1,942,779 |
| Federal lunch program | 23,330 | 16,191 | 16,232 |
| Charges for services and other grants | 46,661 | 23,656 | 18,689 |
| Federal through state and local | 200,000 | 156,000 | 391,161 |
| Other income | 145,000 | 95,526 | 105,463 |
| TOTAL REVENUES | <u>\$ 2,393,025</u> | <u>\$ 2,226,165</u> | <u>\$ 2,474,324</u> |
| EXPENDITURES | | | |
| Instruction | \$ 1,222,677 | \$ 1,158,771 | \$ 1,375,895 |
| Instructional staff training services | 68,000 | 85,896 | 70,145 |
| Board | 20,500 | 18,575 | 16,461 |
| School administration | 456,237 | 422,863 | 315,769 |
| Facilities acquisition & construction | - | - | 246,776 |
| Fiscal services | 124,585 | 124,449 | 125,395 |
| Food services | 67,912 | 37,608 | 35,015 |
| Operation of plant | | | |
| Operation of plant | 467,376 | 453,947 | 462,050 |
| Maintenance of plant | - | 642 | 1,771 |
| Administrative technical services | 26,000 | 17,765 | 16,478 |
| TOTAL EXPENDITURES | <u>\$ 2,453,287</u> | <u>\$ 2,320,516</u> | <u>\$ 2,665,755</u> |
| Excess of expenditures over revenues | (60,262) | (94,351) | (191,431) |
| Other financing sources | <u>-</u> | <u>-</u> | <u>320,000</u> |
| Net change in fund balance | <u>\$ (60,262)</u> | <u>\$ (94,351)</u> | <u>\$ 128,569</u> |

REQUESTS FOR INFORMATION

This financial report is intended to provide a general overview of the finances of the School. Requests for additional information may be addressed to Mr. Luis Diaz located at 4627 Ponce de Leon Blvd., Coral Gables, FL 33146.

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2017

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 122,118 |
| Due from other agencies | 210,972 |
| Prepaid expenses | <u>3,474</u> |
| TOTAL CURRENT ASSETS | 336,564 |
| CAPITAL ASSETS | |
| Improvements other than buildings | 461,386 |
| Less accumulated depreciation | (122,534) |
| Furniture and equipment | 213,739 |
| Less accumulated depreciation | (83,236) |
| Audio visual materials & computer software | <u>469,355</u> |
| Total capital assets, net | <u>469,355</u> |
| Deposit receivable and other assets | <u>108,033</u> |
| TOTAL ASSETS | <u><u>\$ 913,952</u></u> |
| LIABILITIES AND NET POSITION | |
| LIABILITIES | |
| Accounts payable and accrued liabilities | \$ 119,215 |
| Accrued wages payable | <u>89,878</u> |
| TOTAL LIABILITIES | <u>209,093</u> |
| Loans payable | 1,195,500 |
| NET POSITION (DEFICIT) | |
| Net invested in capital assets | 469,355 |
| Deficit in unrestricted | <u>(959,996)</u> |
| TOTAL NET POSITION (DEFICIT) | <u>(490,641)</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 913,952</u></u> |

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

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| Functions | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|---------------------------------------|---------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental Activities: | | | | |
| Instruction | \$ 1,375,895 | \$ - | \$ 300,673 | \$ (1,075,222) |
| Instructional staff training services | 70,145 | - | 56,548 | (13,597) |
| Board | 16,461 | - | - | (16,461) |
| School administration | 315,769 | - | 33,940 | (281,829) |
| Fiscal services | 125,395 | - | - | (125,395) |
| Food services | 35,015 | 18,689 | 16,232 | (94) |
| Operation of plant | 462,050 | - | - | (462,050) |
| Administrative technical services | 16,478 | - | - | (16,478) |
| Maintenance of plant | 1,771 | - | - | (1,771) |
| Unallocated depreciation expense | 124,894 | - | - | (124,894) |
| Total Governmental Activities | \$ 2,543,873 | \$ 18,689 | \$ 407,393 | \$ (2,117,791) |

GENERAL REVENUES:

| | |
|---|---------------------|
| Government grants not restricted to specific programs | 1,942,779 |
| Fundraising and other revenue | 105,463 |
| Total general revenues | 2,048,242 |
| Change in Net Position | (69,549) |
| NET POSITION (DEFICIT) - BEGINNING | (421,092) |
| NET POSITION (DEFICIT) - ENDING | <u>\$ (490,641)</u> |

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

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
BALANCE SHEET- GOVERNMENTAL FUNDS
JUNE 30, 2017

| | <u>Governmental Fund</u> |
|---|--------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 122,118 |
| Due from other agencies | 210,972 |
| Prepaid expenses | 3,474 |
| Deposit receivable and other assets | 108,033 |
| TOTAL ASSETS | <u><u>\$ 444,597</u></u> |
| LIABILITIES AND FUND BALANCES | |
| LIABILITIES | |
| Accounts payable and accrued liabilities | \$ 119,215 |
| Accrued wages payable | 89,878 |
| TOTAL LIABILITIES | <u>209,093</u> |
| FUND BALANCE | |
| Nonspendable | |
| Deposit receivable and other assets | 111,507 |
| Unassigned | 123,997 |
| TOTAL FUND BALANCE | <u>235,504</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>\$ 444,597</u></u> |

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

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL

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

JUNE 30, 2017

Total Fund Balance - Governmental Funds \$ 235,504

Amounts reported for governmental activities in the statement of net assets are the same. There are no reconciling items.

Capital assets of \$675,125, net of accumulated depreciation of \$205,770 used in governmental activities are not financial resources and therefore are not reported in the fund. 469,355

Long-term liabilities of \$1,195,500 are not due and payable in the current period and therefore, are not reported in the funds. (1,195,500)

Total Net Position (deficit) - Governmental Activities \$ (490,641)

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

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | General Funds | Special Revenue Fund | Total Governmental |
|---------------------------------------|---------------------|-------------------------|-----------------------|
| REVENUES | | | |
| State passed through local | \$ 1,942,779 | \$ - | \$ 1,942,779 |
| Federal lunch program | - | 16,232 | 16,232 |
| Charges for services and other grants | 18,689 | - | 18,689 |
| Federal through state and local | - | 391,161 | 391,161 |
| Other income | 105,463 | - | 105,463 |
| TOTAL REVENUES | \$ 2,066,931 | \$ 407,393 | \$ 2,474,324 |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction | \$ 1,075,222 | \$ 300,673 | \$ 1,375,895 |
| Instructional staff training services | 13,597 | 56,548 | 70,145 |
| Board | 16,461 | - | 16,461 |
| School administration | 281,829 | 33,940 | 315,769 |
| Facilities acquisition & construction | - | - | - |
| Fiscal services | 125,395 | - | 125,395 |
| Fiscal services | | | |
| Food services | 18,783 | 16,232 | 35,015 |
| Operation of plant | 462,050 | - | 462,050 |
| Maintenance of plant | 1,771 | - | 1,771 |
| Administrative technical services | 16,478 | - | 16,478 |
| Capital Outlay: | | | |
| Other capital outlay | 246,776 | - | 246,776 |
| TOTAL EXPENDITURES | \$ 2,258,362 | \$ 407,393 | \$ 2,665,755 |
| Excess of expenditures over revenues | (191,431) | - | (191,431) |
| Other financing sources | 320,000 | - | 320,000 |
| NET CHANGE IN FUND BALANCE | 128,569 | - | 128,569 |
| Fund balance at beginning of year | 106,935 | - | 106,935 |
| Fund balance at end of year | <u>\$ 235,504</u> | <u>\$ -</u> | <u>\$ 235,504</u> |

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

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
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, 2017

| | | |
|---|----|---------|
| Change in Fund Balance - Governmental Funds | \$ | 128,569 |
|---|----|---------|

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

| | |
|---|---------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$246,776 exceeded depreciation of \$124,894. | 121,882 |
|---|---------|

Increase in receivables from other charter schools is an

| | |
|--|-----------|
| The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds of \$320,000 exceeded reductions of \$0 in the current period. | (320,000) |
|--|-----------|

| | | |
|---|----|-----------------|
| Change in Net Position of Governmental Activities | \$ | <u>(69,549)</u> |
|---|----|-----------------|

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

**TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – ORGANIZATION AND OPERATIONS

Reporting Entity

True North Classical Academy Charter School, (the “School”) a component unit of the School Board of Miami-Dade County, Florida is sponsored by its charter-holder, True North Classical Academy, 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 Board of Directors which is comprised of four members.

The general operating authority of True North Classical Academy Charter School (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, 2020. 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 which case the School Board is required to notify the School in writing at least 90 days prior to the School’s expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. The charter may be renewed for up to an additional 5 years by mutual agreement.

These financial statements are for the year ended June 30, 2017, when 269 students were enrolled in grades Kindergarten through 6th grade.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits per State and Local Governments and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information for the School as a whole. Both statements report only governmental activities as the School does not engage in any business type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, (2) operating grants and contributions which finance annual operating activities, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds, namely, the general, special revenue and capital project funds are reported as separate columns in the fund financial statements:

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

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of True North Classical Academy Charter School, (the “School”) are prepared in accordance with generally accepted accounting principles (GAAP). The School’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidelines*.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from non-exchange transactions are reported according to Governmental Accounting Standards Board (GASB) Codification Section 1600.111 and Section N50 “*Accounting and Financial Reporting for Non-Exchange Transactions*”. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 90 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Budgetary Basis 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, purchased services, and capital outlay).

Cash and Cash Equivalents

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

Accounts receivable

Accounts receivable consists of after school care fees pending to be collected. Any bad debts are expensed in the subsequent period when they are determined to be uncollectible.

Due from Other Agencies

Due from other agency consists of amounts due from other governmental units for revenues from federal, federal through state, state, or other sources.

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets, Depreciation and Amortization

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. The School capitalization levels are \$500 per unit on tangible personal property. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the costs and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

| | |
|---------------------------------|---------|
| Furniture and equipment | 5 Years |
| Computer equipment and software | 7 Years |
| Leasehold improvements | 5 Years |

Compensated Absences

All full time employees are eligible for paid time off (PTO). Temporary and part-time employees are not eligible. PTO accumulates in relationship to all regular hours actually worked.

Salaried employees will be granted paid time off (PTO) within the contract/agreement with the organization. If an employee uses all PTO allotted to them, any additional sick days will be without pay.

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

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

Government-wide Fund Net Position

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

- Net investment in capital assets – consists of the historical cost capital assets less accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets plus deferred outflows of resources less deferred inflows of resources. The net investment in capital assets for the year ending June 30, 2017, was \$469,355.
- Restricted net assets – consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments less related liabilities and deferred inflows of resources. The restricted net position for the year ending June 30, 2017 was \$0.
- Unrestricted – all other net position is reported in this category, including amounts due from affiliates and charter schools.

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balances

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

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). At June 30, 2017, the School had \$111,507 in nonspendable fund balance.
- Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At June 30, 2017, there is no restricted fund balance.
- Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. At June 30, 2017, there is no committed fund balance.
- Assigned – fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. At June 30, 2017, there is no assigned fund balance.
- Unassigned – fund balance is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance at the end of the fiscal year by adjusting journal entries. First Non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund. As of June 30, 2017, there are no minimum fund balance requirements for any of the School's funds.

Revenue Sources

Revenues for operations will be received primarily from the District School Board of Miami-Dade County (the "School Board") pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the School Board. Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. In addition, the School receives an annual allocation of charter school capital outlay funds for leasing of School facilities.

The School may also receive 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 expensed. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

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

Use of Estimates

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

Subsequent Events

The School has evaluated subsequent events and transactions for potential recognition or disclosure through August 31, 2017, which is the date the financial statements were available to be issued.

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, 2017:

| | Balance 7/1/2016 | Additions | Deletions | Balance 6/30/2017 |
|----------------------------------|---------------------|---------------------|-------------|----------------------|
| Capital Assets | | | | |
| Improvements other than building | \$ 254,188 | \$ 207,198 | \$ - | \$ 461,386 |
| Furniture & equipment | 174,161 | 39,578 | - | 213,739 |
| Total Capital Assets | <u>\$ 428,349</u> | <u>\$ 246,776</u> | <u>\$ -</u> | <u>\$ 675,125</u> |
| Less Accumulated Depreciation | | | | |
| Improvements other than building | \$ (45,134) | \$ (77,400) | \$ - | \$ (122,534) |
| Furniture & equipment | (35,742) | (47,494) | - | (83,236) |
| Total Accumulated Depreciation | <u>\$ (80,876)</u> | <u>\$ (124,894)</u> | <u>\$ -</u> | <u>\$ (205,770)</u> |
| Capital Assets, net | <u>\$ 347,473</u> | <u>\$ 121,882</u> | <u>\$ -</u> | <u>\$ 469,355</u> |

Depreciation expense for the year ended June 30, 2017, was \$124,894.

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The School entered into an agreement with Charter School Services Corporation to provide professional and consulting services to the School. The agreement began on February 6, 2015 and is in effect for a five year term. The contract calls for monthly payments based on the actual services provided. During the year-ended June 30, 2017, the School incurred fees related to this agreement totaling \$36,859.

The School entered into an agreement in July 2015 to lease facilities. The first payment commenced on July 1, 2015 and requires monthly lease payments equal to \$800 per student with a minimum rent guarantee of \$176,000 in year one and a minimum of \$240,000 in years two through five. As part of the agreement, in year 2, the School is also required to pay an additional \$80,000 for the use of the outside facilities for the term of the lease. The term of this agreement ends June 30, 2020.

For the year ended June 30, 2017, the amount paid by the School for the use of the facilities and services was \$276,000. Estimated future minimum lease payments are as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|-------------------|
| 2018 | \$ 260,881 |
| 2019 | 250,260 |
| 2020 | 245,130 |
| Total | <u>\$ 756,271</u> |

NOTE 5 –LOAN PAYABLE FROM SUPPORTING FOUNDATIONS AND OTHERS

In 2015, the School received an advance \$45,500 from a company to finance start-up costs. This advance is not subject to an interest rate charge or maturity date. The School intends to repay this advance when funds are available. This advance is included as a long-term loan payable on the statement of financial position. As of June 30, 2017, the total amount outstanding on this advance was \$45,500.

In 2015, the School received advances from the Dennis Bileca Institute for Character and Excellence Foundation (the “Foundation”) in the amount of \$550,000. In December 2015, the Foundation reduced the outstanding balance by \$45,000. During the current year an additional \$320,000 was advanced. These advances are not subject to an interest rate charge or maturity date. The School intends to repay these advances when funds are available. The total amount advanced is included as a long-term loan payable on the statement of financial position. As of June 30, 2017, the total amount outstanding on this advance was \$825,000.

In 2015, the School received advances from an individual lender (the “Lender”) in the amount of \$325,000. This advance is not subject to an interest rate charge or maturity date. The School intends to repay this advance when funds are available. This advance is included as a long-term loan payable on the statement of financial position. As of June 30, 2017, the total amount outstanding on this advance was \$325,000.

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5 –LOAN PAYABLE FROM SUPPORTING FOUNDATIONS AND OTHERS (Continued)

| | Balance at 7/1/2016 | Additions | Repayment s | Adjustments | Balance at 6/30/2017 |
|---|------------------------|-------------------|----------------|-------------|-------------------------|
| Loan payable- other | \$ 45,500 | \$ - | \$ - | \$ - | \$ 45,500 |
| The Dennis Bileca Institute for Character and Excellence Foundation | 505,000 | 320,000 | - | - | 825,000 |
| Loan payable- lender | 325,000 | - | - | - | 325,000 |
| | <u>\$ 875,500</u> | <u>\$ 320,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,195,500</u> |

Estimated future payments are as follows:

| Year Ended June 30, | |
|---------------------|---------------------|
| 2018 | \$ - |
| 2019 and Thereafter | 1,195,500 |
| | <u>\$ 1,195,500</u> |

NOTE 6 – DEPOSITS POLICY AND CREDIT RISK

It is the School's policy to maintain its cash and cash equivalents in major banks and in high grade investments. As of June 30, 2017, the carrying amount of the School's operating cash deposit accounts was \$122,118 and the bank balance totaled \$228,300. As of June 30, 2017, balances held in financial institutions did not exceed the Federal Depository Insurance Corporation (FDIC) limit.

NOTE 7 – GRANTS

In the normal course of operations, the School receives grant funds from various federal, state and local agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not reflected in these 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, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in the past. In addition, there were no reductions in insurance coverage from those in the prior year. The School does not sponsor a public entity risk pool and has had no settlements that have exceeded their insurance coverage.

REQUIRED SUPPLEMENTAL INFORMATION

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | General Fund | | |
|---|---------------------|---------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| State passed through local | \$ 1,978,034 | \$ 1,934,792 | \$ 1,942,779 |
| Charges for services and other grants | 46,661 | 23,656 | 18,689 |
| Other income | 145,000 | 95,526 | 105,463 |
| TOTAL REVENUES | \$ 2,169,695 | \$ 2,053,974 | \$ 2,066,931 |
| EXPENDITURES | | | |
| Instruction | \$ 1,022,677 | \$ 1,058,771 | \$ 1,075,222 |
| Instructional staff training services | 68,000 | 29,896 | 13,597 |
| School board | 20,500 | 18,575 | 16,461 |
| School administration | 456,237 | 422,863 | 281,829 |
| Facilities acquisition & construction | - | - | 246,776 |
| Fiscal services | 124,585 | 124,449 | 125,395 |
| Food services | 44,582 | 21,417 | 18,783 |
| Operation of plant | 467,376 | 453,947 | 462,050 |
| Maintenance of plant | - | 642 | 1,771 |
| Administrative technical services | 26,000 | 17,765 | 16,478 |
| TOTAL EXPENDITURES | \$ 2,229,957 | \$ 2,148,325 | \$ 2,258,362 |
| Change in fund balance before other financing sources | (60,262) | (94,351) | (191,431) |
| Other financing sources | - | - | 320,000 |
| Net change in fund balance | \$ (60,262) | \$ (94,351) | \$ 128,569 |

See accompanying note to the required supplemental information.

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Special Revenue Fund | | |
|---------------------------------------|----------------------|--------------------|--------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Federal lunch program | \$ 23,330 | \$ 16,191 | \$ 16,232 |
| Federal through state and local | 200,000 | 156,000 | 391,161 |
| TOTAL REVENUES | <u>\$ 223,330</u> | <u>\$ 172,191</u> | <u>\$ 407,393</u> |
| EXPENDITURES | | | |
| Instruction | \$ 200,000 | \$ 100,000 | \$ 300,673 |
| Instructional staff training services | - | 56,000 | 56,548 |
| School administration | - | - | 33,940 |
| Food services | 23,330 | 16,191 | 16,232 |
| TOTAL EXPENDITURES | <u>\$ 223,330</u> | <u>\$ 172,191</u> | <u>\$ 407,393</u> |
| Net change in fund balance | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

See accompanying note to the required supplemental information.

TRUE NORTH CLASSICAL ACADEMY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2017, has been amended according to Board procedures. During the fiscal year, expenditures were controlled at the fund level.

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

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



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

Board of Directors of
True North Classical Academy Charter School
Miami, 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 and each major fund of True North Classical Academy Charter School (the "School"), as of and for the year ended June 30, 2017, 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 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider 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 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 31, 2017



MANAGEMENT LETTER

Board of Directors of
True North Classical Academy Charter School
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of True North Classical Academy Charter School (the "School"), a non-major component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated August 31, 2017.

Auditor's Responsibility

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

Other Reports and Schedules

We have issued our Independent 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 31, 2017, 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, except as noted in the tabulation below and as described under the heading Prior Year Findings and Recommendations in Other Matters.

| Tabulation of Uncorrected Audit Findings | |
|--|----------------------|
| Current Year Finding # | 2015-16 FY Finding # |
| 2017-1 | 2016-1 |

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is True North Classical Academy Charter School.

Financial Condition

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the 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 School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The financial condition assessment procedures applied in connection with our audit, has lead us to believe that the School's overall financial condition as of June 30, 2017 is not deteriorating. However, the following was noted in Other Matters that we would like to bring to the attention of the governing body of the School.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

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 noted the following observations.

2017-1: Total deficit in net positionObservation

There is a total deficit in net position of \$490,641 at June 30, 2017. The 2016-17 fiscal year was the second full year of operations for the School. The School's enrollment for the school year was approximately 270 students increasing from 180 in the previous year. The School, for the year ended June 30, 2017, purchased approximately \$247,000 in improvements to the building and new furniture and equipment. Due to these new capital purchases and the fact that this was the School's second year of enrollment the School had a deficit during the year of \$69,549.

Management's Response

The 2016-2017 school year was the School's second full year of operations. In its second year, the School had an increase in enrollment to 269 students from 180 students. Although the School incurred a deficit of approximately \$70,000 for the School year, a significant portion of the deficit was the result of improving the infrastructure of the School, and hiring of outside consultants and additional teachers in order to make the School one of the premier schools in the South Florida area. Finally, management and the Board are carefully reviewing the current school year budget to monitor all expenditures for the upcoming school year and increasing the School's fundraising efforts in order to raise additional sources of funding for the School.

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.

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 cursive script that reads "Verdepin DeArmas Trujillo".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 31, 2017