

**Doral Academy High School**

**WL # 7020**

(A Charter School under The Doral Academy, Inc.)

Doral, Florida

Financial Statements and  
Independent Auditors' Report

June 30, 2016

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Doral Academy High School

W/L #: 7020

11100 NW 27 St.  
Doral, FL 33172

**2015-2016**

BOARD OF DIRECTORS

Angela Ramos, Director, President and Chair  
Rene Roviroso, Secretary and Director  
Kim Guilarte, Director  
Monique Rodriguez, Director

SCHOOL ADMINISTRATION

Carlos Ferralls, Principal

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Doral Academy High School  
Doral, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Doral Academy High School (the "School"), a charter school under The Doral Academy, Inc., as of, and for the year ended June 30, 2016, which collectively comprises the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinions

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 Doral Academy High School at June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Doral Academy High School at June 30, 2016, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of The Doral Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of The Doral Academy, Inc. as of June 30, 2016 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## *Required Supplementary Information*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 31 through 32 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.

  
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 29, 2016

**Management's Discussion and Analysis**  
Doral Academy High School  
(A Charter School under Doral Academy, Inc.)  
June 30, 2016

The corporate officers of Doral Academy High School have prepared this narrative overview and analysis of the school's financial activities for the fiscal year ended June 30, 2016.

**Financial Highlights**

1. The net position of the School at June 30, 2016 was \$6,965,948.
2. At year-end, the School had current assets on hand of \$1,944,081.
3. The School had an increase in its net position of \$970,235 for the year ended June 30, 2016
4. The unassigned fund balance at year end was \$1,253,239.

**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, 2016 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

*Government-Wide Financial Statements*

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

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

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

The government-wide financial statements can be found on pages 10 - 11 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 use fund accounting to ensure and report compliance with finance-related legal requirements. All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.



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

The Board of the School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 12 - 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 - 30 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was \$6,965,948 at the close of the fiscal year. A summary of the School's net position as of June 30, 2016 and 2015 is as follows:

	2016	2015
Cash and cash equivalents	\$ 1,046,499	\$ 943,080
Investments	640,000	-
Prepaid expenses	197,301	231,610
Deposits receivable	30,551	30,551
Due from other agencies	60,281	71,947
Due from other divisions of The Doral Academy, Inc., long-term	1,029,768	1,029,768
Capital Assets, net	9,529,256	9,872,536
<b>Total Assets</b>	<b>12,533,656</b>	<b>12,179,492</b>
<b>Deferred outflows of resources</b>	<b>-</b>	<b>-</b>
Salaries and wages payable	493,541	367,536
Accrued interest	49,574	26,402
Current debt portion of long-term debt	332,730	315,958
Due to other charter schools	-	700,000
Due to other charter schools, long-term	1,050,000	850,000
Long term debt	3,641,863	3,923,883
<b>Total Liabilities</b>	<b>5,567,708</b>	<b>6,183,779</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>-</b>
<b>Net Position:</b>		
Net investment in capital assets and long-term receivables	5,534,431	5,086,061
Unrestricted	1,431,517	909,652
<b>Total Net Position</b>	<b>\$ 6,965,948</b>	<b>\$ 5,995,713</b>

At the end of the fiscal year, the School is able to report positive balances in total net position.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Program Revenues		
Operating grants and contributions	\$ -	\$ 6,897
Capital outlay funding	861,199	946,867
Lunch program	467,825	412,158
General Revenues		
Local sources (FTE non specific)	11,176,290	9,440,446
Charges for services	114,846	88,499
Other revenue	42,312	6
<b>Total Revenues</b>	<u>\$ 12,662,472</u>	<u>\$ 10,894,873</u>
<b>EXPENSES</b>		
Component Unit Activities:		
Instruction	\$ 5,941,617	\$ 4,695,094
Instructional staff training	32,187	71,508
Board	348,600	241,250
School administration	1,144,665	1,001,134
Facilities acquisition	345,880	303,676
Fiscal services	250,200	229,725
Food services	414,065	341,745
Central services	315,670	258,438
Pupil transportation services	20,233	23,076
Operation of plant	2,168,833	2,886,224
Maintenance of plant	370,091	282,155
Interest on long-term debt	340,196	310,974
Community services	-	33,868
<b>Total Expenses</b>	<u>11,692,237</u>	<u>10,678,867</u>
Increase in Net Position	970,235	216,006
Net Position at Beginning of Year	<u>5,995,713</u>	<u>5,779,707</u>
Net Position at End of Year	<u>\$ 6,965,948</u>	<u>\$ 5,995,713</u>

Student enrollment increased for 2016 by approximately 138 students. In the current year, the School's revenue and expenses increased by \$1,767,599 and \$1,013,370, respectively. The School an increase in net position of \$970,235 for the year.

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

The School leases a facility located at 11100 NW 27th Street and is also approved to operate at 2601 NW 112 Ave, Doral Florida, 33172



## **Capital Improvement Requirements**

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

## **School Enrollment**

This past year, the School had approximately 1,667 students enrolled in grades nine through twelve.

## **Accomplishments**

In 2016, Doral Academy High School successfully completed its fifteenth year of operation. In 2016, the school received a letter grade of “A” for the 9th consecutive year, ranking among the top performing high schools in Miami Dade County and the state of Florida.

For the 9th consecutive year, Doral High was listed as one of the “Best High Schools in America” by U.S. News & World Report magazine, and as one of “America’s Top High Schools” by The Daily Beast in 2014. Most impressively, Doral Academy Charter High School was recognized this past year by The ACT College & Career Readiness Campaign as the top winner in the state of Florida for Outstanding Achievement in College and Career Readiness, based on the passing rate of students on the AP exams. Graduates of Doral were accepted to various prestigious colleges and universities such as Boston College, Duke, University of Miami, Florida International University, Cornell, Northwestern, and the University of Florida, among others.

Doral Academy High School provides its students with a rigorous college preparatory curriculum, through a model academic environment which includes a unique Blended Learning component, as well as strong partnerships with institutions of higher learning such as the new Doral College. Doral High also offers a rich extra-curricular program of activities, including team sports and clubs. The school’s award-winning facilities include fully-equipped classrooms, labs, art rooms, a band room, TV production rooms, ball fields, a state-of-the-art gymnasium, and a brand new, top-notch football field. This past year, Doral Academy High School’s campus was nominated for the American Institute of Architects People’s Choice Awards for Best Design. As part of the Doral Academy, Inc. network of high performing charter schools, Doral Academy High school is fully accredited by AdvancED under the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS-CASI) division.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND**

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

### **Governmental Funds**

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

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

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$1,450,540. The fund balance unassigned and available for spending at the School's discretion is \$1,253,239. These funds will be available for the School's future ongoing operations.

### **Capital Assets**

The School's investment in capital assets as of June 30, 2016 amounts to \$9,529,256 (net of accumulated depreciation). This investment in capital assets includes improvements, furniture, fixtures and computer equipment. As of June 30, 2016, the School had debt totaling \$5,024,593 relating to the School's capital assets.

### **Governmental Fund Budget Analysis and Highlights**

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Program Revenues			
State capital outlay funding	\$ 471,504	\$ 861,200	\$ 861,199
Lunch program	350,000	370,000	371,265
Lunch fees	100,000	100,000	96,560
General Revenues			
FTE nonspecific revenues	10,824,600	11,150,000	11,176,290
Charges for services	100,000	114,000	114,846
Charges and other revenues	40,000	40,000	42,312
Total Revenues	\$ 11,886,104	\$ 12,635,200	\$ 12,662,472
<b>CURRENT EXPENDITURES</b>			
Component Unit Activities			
Instruction	\$ 5,394,999	\$ 5,400,000	\$ 5,391,836
Instructional staff training	35,000	35,000	32,187
Board	359,400	350,000	348,600
School administration	1,162,000	1,150,000	1,144,563
Fiscal services	250,800	250,200	250,200
Food services	440,000	440,000	412,518
Central services	320,000	320,000	315,670
Pupil transportation services	20,000	14,000	13,901
Operation of plant	1,617,790	2,011,200	2,023,189
Maintenance of plant	350,000	365,000	360,333
Total Current Expenditures	\$ 9,949,989	\$ 10,335,400	\$ 10,292,997

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

### **Requests for Information**

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC 6340 Sunset Drive, Miami, Florida 33143.

**Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

## Statement of Net Position

June 30, 2016

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 1,046,499
Investments	640,000
Prepaid expenses	197,301
Due from other agencies	60,281
Total current assets	<u>1,944,081</u>
Capital assets, depreciable	15,505,677
Less: accumulated depreciation	<u>(5,976,421)</u>
	9,529,256
Due from other divisions of The Doral Academy, Inc.	1,029,768
Deposits	30,551
Total Assets	<u>12,533,656</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	493,541
Current portion of long term-debt	332,730
Accrued interest	49,574
Total current liabilities	<u>875,845</u>
Long term debt	3,641,863
Due to other charter school, long-term	1,050,000
Total Liabilities	<u>5,567,708</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
<b>Net Position:</b>	
Net investment in capital assets and long-term receivables	5,534,431
Unrestricted	<u>1,431,517</u>
Total Net Position	<u>\$ 6,965,948</u>

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

**Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

## Statement of Activities

For the year ended June 30, 2016

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 5,941,617	\$ 4,078	\$ -	\$ -	\$ (5,937,539)
Instructional staff training	32,187	-	-	-	(32,187)
Board	348,600	-	-	-	(348,600)
School administration	1,144,665	-	-	-	(1,144,665)
Facilities acquisition	345,880	-	-	-	(345,880)
Fiscal services	250,200	-	-	-	(250,200)
Food services	414,065	96,560	371,265	-	53,760
Central services	315,670	-	-	-	(315,670)
Pupil transportation services	20,233	-	-	-	(20,233)
Operation of plant	2,168,833	110,768	-	861,199	(1,196,866)
Maintenance of plant	370,091	-	-	-	(370,091)
Interest on long-term debt	340,196	-	-	-	(340,196)
<b>Total governmental activities</b>	<b>11,692,237</b>	<b>211,406</b>	<b>371,265</b>	<b>861,199</b>	<b>(10,248,367)</b>

## General revenues:

FTE nonspecific revenues	11,176,290
Other revenues	42,312

Change in net position	970,235
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Net position, beginning	5,995,713
Net position, ending	\$ 6,965,948

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

**Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

## Balance Sheet - Governmental Funds

June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 1,046,499	\$ -	\$ 1,046,499
Investments	640,000	-	640,000
Prepaid expenses	197,301	-	197,301
Due from other agencies	-	60,281	60,281
Due from fund	60,281		60,281
Total Assets	1,944,081	60,281	2,004,362
<b>Deferred Outflows of Resources</b>	-	-	-
<b><u>Liabilities</u></b>			
Salaries and wages payable	493,541	-	493,541
Due to fund	-	60,281	60,281
Total Liabilities	493,541	60,281	553,822
<b>Deferred Inflows of Resources</b>	-	-	-
<b><u>Fund balance</u></b>			
Nonspendable, not in spendable form	197,301	-	197,301
Unassigned	1,253,239	-	1,253,239
	1,450,540	-	1,450,540
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,944,081	\$ 60,281	\$ 2,004,362

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



**Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
For the year ended June 30, 2016

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Total Fund Balance - Governmental Funds \$ 1,450,540

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

Capital assets of \$15,505,677 net of accumulated depreciation of \$5,976,421 used in governmental activities are not financial resources and therefore are not reported in the fund. 9,529,256

Long term receivable from related party in governmental activities are not financial resources and therefore are not reported in the governmental funds. 1,029,768

Long term liability not due and payable in the current period and, therefore, is not reported in the governmental funds. (5,074,167)

Deposits receivable of \$30,551 are considered long term and are not financial resources and therefore are not reported in the governmental funds. 30,551

Total Net Position - Governmental Activities \$ 6,965,948

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

**Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For the year ended June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 861,199	\$ 861,199
State passed through local	11,176,290	-	11,176,290
Federal school lunch program		371,265	371,265
Lunch fees	-	96,560	96,560
Charges for services	114,846	-	114,846
Other revenue	42,312	-	42,312
Total Revenues	11,333,448	1,329,024	12,662,472
Expenditures:			
Current			
Instruction	5,391,836	-	5,391,836
Instructional staff training	32,187	-	32,187
Board	348,600	-	348,600
School administration	1,144,563		1,144,563
Food services	-	412,518	412,518
Fiscal services	250,200	-	250,200
Central services	315,670	-	315,670
Pupil transportation services	13,901	-	13,901
Operation of plant	1,161,990	861,199	2,023,189
Maintenance of plant	360,333	-	360,333
Capital Outlay:			
Other capital outlay	738,485	7,831	746,316
Debt Service:			
Redemption of Principal	265,248	-	265,248
Interest	317,023	-	317,023
Total Expenditures	10,340,036	1,281,548	11,621,584
Excess (deficit) of revenues over expenditures	993,412	47,476	1,040,888
Other financing sources (uses)			
Transfers in (out)	47,476	(47,476)	-
Repayments of long term advances to charter schools	(500,000)		(500,000)
Net change in fund balance	540,888	-	540,888
Fund Balance at beginning of year	909,652	-	909,652
Fund Balance at end of year	\$ 1,450,540	\$ -	\$ 1,450,540

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

**Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

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

For the year ended June 30, 2016

Net Change in Fund Balance - Governmental Funds	\$ 540,888
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 depreciation expense of \$1,089,596 exceeded capital outlays of \$746,316 .	(343,280)
The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of \$265,248 exceeded proceeds of \$-0- in the current period.	265,248
Increase in long term deposits is an expenditure in the governmental funds, but a decrease or collections of such deposits reduces long-term assets in the statement of net position. This is the amount by which increase in long-term deposits of \$30,551 exceeded collections of \$-0- in the current period.	30,551
Interest on long-term debt differs from the amount reported in the governmental funds. In the governmental funds, interest on long-term debt is recorded as an expenditure when due and payable. In the statement of activities, interest is recorded as it accrues. This is the current year increase in accrued interest payable.	(23,172)
Increase in long-term receivables is an expenditure in the governmental funds, but a decrease or collections of such receivables reduces long term assets in the statement of net position. This is the amount by which collections of long-term receivables of \$500,000 exceeded advances of \$-0-.	500,000
Change in Net Position of Governmental Activities	<u>\$ 970,235</u>

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

**Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

## Statement of Net Position - Fiduciary Funds

June 30, 2016

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<u>Assets</u>	<u>Agency Funds</u>
Cash	<u>351,626</u>
Total Assets	<u>351,626</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Due to students and clubs	351,626
Total Liabilities	<u>351,626</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net position</u>	<u>\$ -</u>

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

## **Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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

#### Reporting Entity

Doral Academy High School (the "School"), is a charter school sponsored by the School Board of Miami-Dade County, Florida (the "District"). The School's charter is held by The Doral Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of The Doral Academy, Inc., which is composed of four members and also governs other charter schools. The board has determined that no component units exist that would require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Miami-Dade County, Florida. The former charter between the district and Doral College, Inc. was amended and renewed under The Doral Academy, Inc., for the remainder of the term. The current charter expires on June 30, 2026 and is renewable for an additional term pursuant to law and/or by a mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may terminate the charter if good cause is shown.

The School is located in Doral, Florida for students from ninth through twelfth grades and is funded by the District. These financial statements are for the year ended June 30, 2016, when approximately 1,667 students were enrolled for the school year.

#### Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

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

## **Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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

Program revenues include: (1) charges for services, such as food service and student activity fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. 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 and fiduciary funds, even though the fiduciary funds are not included in the government-wide financial statements. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. Major individual governmental 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 of the school, except those required to be accounted for in another fund.

*Special Revenue Fund* - accounts for specific revenue, such as capital outlay funding and federal lunch program that are legally restricted to expenditures for particular purposes.

*Agency Fund* – accounts for resources of the School's Internal Fund, which is used to administer monies collected at the schools in connection with school, student athletics, class, and club activities.

#### Measurement Focus and Basis of Accounting

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

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

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



**Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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

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

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. “Measurable” means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. 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.

Agency fund assets and liabilities are accounted for on the accrual basis of accounting.

**Budgets and Budgetary Accounting**

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

**Cash, Cash Equivalents and Investments**

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

The School has not adopted a formal investment policy; however the School invests excess deposit funds in a government money market mutual fund. The School has adopted GASB No. 72 *Fair Value Measurement and Application* (see Note 2).

**Inter-fund Transfers**

Outstanding balances between funds are reported as “due to/from other funds. Inter-fund transfers are made to move any excess or shortage of funds derived from the National School Lunch Program from the Special Revenue Fund to the General Fund.

## **Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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

#### Due from Other Governments or Agencies

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

#### Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with a cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost 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:

Improvements	20- 39 Years
Textbooks	3 Years
Furniture, Equipment and Software	3 - 5 Years

#### Long –Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

#### Deferred Outflows/Inflows of Resources

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

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

**Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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

Revenues for operations will be received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent ("FTE") students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the FTE students and related data to the Florida Department of Education ("FDOE") for funding through the FEFP.

Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made. In addition, the School receives an annual allocation of charter school capital outlay funds for leasing of school facilities.

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

**Compensated Absences**

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a "benefit year"). In the event that available time is not used by the end of the benefit year, employees may "rollover" all unused days for use in future benefit years. There is an opportunity to "cash out" unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

## **Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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

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

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

#### Net Position and Fund Balance Classifications

##### *Government-wide financial statements*

Equity is classified as net position and displayed in three (3) components:

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

##### *Fund Financial Statements*

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

- a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balances associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end relate to not in spendable form assets.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.

## **Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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

- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification 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. There are no assigned fund balances at year end.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

#### 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, assigned fund balance, and unassigned 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.

#### Use of Estimates

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

#### Income Taxes

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

#### Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through August 29, 2016 which is the date the financial statements were available to be issued.

## **Note 2 – Cash, Cash Equivalents and Investments**

### Deposits

The School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2016, the School's deposits consisted of cash balances of \$397,306.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Doral Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Doral Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2016, bank balances in potential excess of FDIC coverage was approximately \$763,000; including fiduciary account bank balances.

### Investments

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs. At June 30, 2016, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$2,130,000 valued using Level 2 inputs.

The government money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of January 1, 2016, the fund's annual report, maturities of the fund's portfolio holdings are approximately 83% within 30 days.

### Credit Risk

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

*Custodial credit risk* is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2016, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

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



**Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

Notes to Financial Statements

June 30, 2016

**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, 2016:

	Balance 07/01/15	Additions	Reclassification	Balance 06/30/16
Capital Assets, depreciable:				
Buildings and improvements	\$ 9,735,957	\$ 90,717	\$ -	\$ 9,826,674
Computer equipment and software	276,379	5,581	-	281,960
Furniture, equipment and textbooks	4,747,025	650,018	-	5,397,043
Total Capital Assets, depreciable:	<u>\$ 14,759,361</u>	<u>\$ 746,316</u>	<u>\$ -</u>	<u>\$ 15,505,677</u>
Less Accumulated Depreciation:				
Buildings and improvements	(1,482,601)	(406,796)	-	(1,889,397)
Computer equipment and software	(398,023)	(143,671)	-	(541,694)
Furniture, equipment and textbooks	(3,006,201)	(539,129)	-	(3,545,330)
	<u>\$ (4,886,825)</u>	<u>\$ (1,089,596)</u>	<u>\$ -</u>	<u>\$ (5,976,421)</u>
<b>Capital Assets, net</b>	<u><b>\$ 9,872,536</b></u>	<u><b>\$ (343,280)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 9,529,256</b></u>

For the fiscal year ended June 30, 2016, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$ 549,781
Facilities acquisition	345,880
Operation of plant	176,195
Maintenance of plant	9,758
Food services	1,547
Pupil transportation services	6,332
School administration	103
Total Depreciation Expense	<u>\$1,089,596</u>

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

Academica Dade, LLC, a professional charter school education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting and virtual education services. The agreement between the School and the education service provider calls for a fee on a per student basis. The agreement is with Doral Academy, Inc. for a period of five years, through June 30, 2017, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2016, the School incurred \$750,600 in fees.

Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida.

**Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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**Note 5 – Transactions with other Divisions of The Doral Academy, Inc.**Charter Schools under The Doral Academy, Inc.

The School's facility is shared with Doral Academy Middle School, Doral Academy of Technology, and Doral Performing Arts and Entertainment Academy (charter schools under The Doral Academy, Inc.). Management allocates a proportionate share of leases, salaries, lunch receipts, food and supplies, and other expenses to each school individually based on student enrollment. In addition, the School holds the student activities fund of Doral Performing Arts and Entertainment Academy.

During 2016, the School charged Doral Academy Middle School for the use of shared facilities via a usage fee. Total usage fees charged totaled \$82,377. Doral Performing Arts and Entertainment Academy reimbursed the School approximately \$893,000 during the year in shared costs.

The School's lunch program is shared with various other charter schools under The Doral Academy, Inc. Revenues and expenses related to such program have been allocated based on FTE equivalent for purposes of presentation in the financial statements.

The following schedule provides a summary of changes in long-term debt to other charter schools for the year ended June 30, 2016.

	Balance 07/01/15	Additions	Deletions	Balance 06/30/16
Doral Academy of Performing Arts	\$ 1,050,000	\$ -	\$(500,000)	\$ 550,000
Doral Academy Middle School	500,000	-	-	\$ 500,000
Due to other charter schools, long-term	<u>\$ 1,550,000</u>	<u>\$ -</u>	<u>\$(500,000)</u>	<u>\$ 1,050,000</u>

The Doral Academy, Inc.

The Doral Academy, Inc. charges all its affiliated schools an assessment for shared corporate costs and accreditation expenses. The School paid The Doral Academy, Inc. approximately \$334,000 in connection with these charges during the year.

**Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

Notes to Financial Statements

June 30, 2016

**Note 5 – Transactions with other Divisions of The Doral Academy, Inc. (continued)**

On March, 15, 2013, the School advanced funds to the corporate account of The Doral Academy, Inc. to purchase an adjacent plot land for \$1,579,768 for purposes of expanding the School's campus. As of June 30, 2016, \$1,029,768 was due from the corporate account of The Doral Academy, Inc. in connection with this land purchase. The long-term receivable is secured by The Doral Academy, Inc.'s capital assets.

The following schedule provides a summary of changes in long-term receivables for the year ended June 30, 2016:

	Balance 07/01/15	Advances	Repayments	Balance 06/30/16
Due from Doral Academy, Inc.	\$ 1,029,768	\$ -	\$ -	\$ 1,029,768
	<u>\$ 1,029,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,029,768</u>

**Note 6 – Transactions with other Organizations**Doral College, Inc.

During 2011, the School made a long-term, non-interest bearing advance of \$400,000 to Doral College, a college under The Doral Academy, Inc., (the "College"). On June 30, 2012, the School awarded the \$400,000 under a recoverable grant agreement to the College. The purpose of the grant is for the College to develop a fully integrated dual enrollment program for the benefit of the School's students. Under the terms of the grant, the College would repay the School in the event the College reflects a surplus in its operating budget for any period ending December 31, following the execution of the agreement. During the year ended June 30, 2013, the School received repayments of \$200,000 of the recoverable grant from the College.

On August 31, 2015, the College and Doral Academy, Inc., on behalf of the School, entered into an amendment to the recoverable grant agreement to establish a repayment plan. Per the repayment plan, the \$200,000 outstanding balance of the recoverable grant shall be paid as follows: \$10,000 per annum, with the first payment due by December 31 of each calendar year commencing on December 31, 2015 through December 31, 2020 and \$30,000 per annum commencing on December 31, 2021 through 2025.

During the year ended June 30, 2016, the College repaid \$10,000 to the School. The repayments are included in other revenue on the statement of activities and the statement of revenues, expenditures, and changes in fund balance.

The School provides office and classroom space used by the Doral College, Inc. under a usage agreement. For the year ending June 30, 2016, the College paid a usage fee to the School of approximately \$28,000, the estimated fair market value of the space.

**Note 6 – Transactions with other Organizations (continued)**

Other

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 2% of the qualifying revenues of the School. For the year ended June 30, 2016, administrative fees withheld by the School District totaled \$31,218.

**Note 7 – Long Term Debt**

On April 11, 2011, the School entered into a construction loan agreement with Building Hope, A Charter School Facilities Fund (“Lender”) to construct a 36,000 square foot facility with 24 classrooms and three science labs, to reconfigure existing parking including new lighting and landscaping, and to purchase laboratory equipment. The lender has made a commitment to extend a loan to the School for a maximum amount of \$5,000,000, to be evidenced by two promissory notes, the first for \$3,200,000 (“Phase I”) and the second for \$1,800,000 (“Phase II”).

Under the terms of the loan agreement and Phase I and II promissory notes, the loan shall bear interest from the date of each advance at an interest rate of seven percent (7%) until July 1, 2015, and thereafter shall bear interest at twelve percent (12%) until maturity. Effective November 1, 2015, the promissory notes were amended to bear interest of seven percent (7%) until maturity.

All principal, interest, and unpaid costs shall be due and payable on the maturity date of July 1, 2017. As of June 30, 2016, the principal loan amount outstanding on Phase I and II is approximately \$2,543,000 and \$1,429,000, respectively.

Interest expense paid on the Phase I and II promissory notes for the year ended June 30, 2016 is \$317,022. Interest expense accrued for Phase I and II promissory notes as of as of June 30, 2016 is \$49,574.

The loan is collateralized, on a parity lien basis with the lien on the same collateral under the terms of the School’s lease agreement (see Note 8), by its pledged revenues, which includes all revenues collected by the School from the Florida Department of Education, the District, and all other sources. In addition, the loan is collateralized by all personal property related to or used in the operations at the School. In addition, the School is required to achieve certain financial performance objectives and financial covenants, as set forth in the loan agreement.

Futures maturities of the Phase I and II promissory noted under the construction loan agreement are as follows as of June 30, 2016:

2017	\$ 332,730
2018	<u>3,641,863</u>
Total	<u>\$ 3,974,593</u>

**Note 7 – Long Term Debt (continued)**

The following schedule provides a summary of changes in long-term debt for the year ended June 30, 2016:

	Balance 07/01/15	Advances	Repayments	Balance 06/30/16
Notes payable	\$ 4,239,841	\$ -	\$ (265,248)	\$ 3,974,593
	<u>\$ 4,239,841</u>	<u>\$ -</u>	<u>\$ (265,248)</u>	<u>\$ 3,974,593</u>

**Note 8 – Commitments, Contingencies, and Concentrations**

The School entered into a lease and security agreement (“agreement”) with School Development, LLC (the “Landlord”, an affiliate of the School’s education service provider – Note 4) for its 57,000 square foot building including all ancillary facilities, outdoor areas and other improvements. Fixed initial annual payments under this agreement were based on a rate of \$23.15 per square footage of the building, which amounted to \$1,319,550 adjusted annually based on the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance and insurance. The agreement continues through August 2024 with an option to renew for an additional five-year term

Under the agreement, the School must meet certain covenants and requirements, including a “Lease Payment Coverage Ratio” of not less than 1.10 to 1.00. In addition, the School is required under the terms of the lease agreements to maintain a reserve for property expenses such as repairs, maintenance, taxes and insurance equal to 5% of their gross revenues for the fiscal year. As of June 30, 2016, the required reserve has been waived by the landlord.

With the Landlord’s consent, the School made additional improvements to the leased premises with its own funds, generally described as a cafeteria building and other improvements. The landlord has agreed that no additional fixed rent is due in connection with these tenant improvements, however the School will pay any items of additional rent affected by the tenant improvements, including utilities and insurance. Upon expiration of the existing lease and security agreement, as so long as there is no material default at such time under the lease, the Landlord will make a contribution to the School in an amount equal to the unamortized original cost of the tenant improvements. Timely payment of such amount is unconditionally and irrevocably guaranteed in full by the landlord’s members. Based on this understanding, the School is depreciating these particular tenant improvements using a 39-year useful life.

Under this agreement the School has granted a first lien on its pledged revenues, which includes all revenues collected by the school from the Florida Department of Education, the District, and all other sources. For 2016, rent expense totaled \$1,384,296. As of June 30, 2016, the School had prepaid approximately \$114,000 of rent expense.

Lease payments are allocated among the School and Doral Academy Performing Arts based on enrollment and usage of facility. The allocation used for 2016, was approximately 19% for Doral Academy Performing Arts and 81% for the School.

**Note 8 – Commitments, Contingencies and Concentrations (continued)**

Future minimum payments under these leases are as follows:

<u>Year</u>	
2017	\$1,700,000
2018	\$1,700,000
2019	\$1,700,000
2020	\$1,700,000
2021	\$1,700,000
2022-2024	\$5,100,000 (Total for three-year period)

**Contingencies and Concentrations**

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations.

Additionally, the School receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

**Note 9 – 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.

**Note 10 – Defined Contribution Retirement Plan**

The School's personnel, who are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), for the 2015-2016 school year the School approved a match of 100% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$62,671 for the year ended June 30, 2016. The School does not exercise any control or fiduciary responsibility over the Plan's assets, which are administered by MassMutual Financial Group.

## REQUIRED SUPPLEMENTARY INFORMATION

**Doral Academy High School**

(A charter school under The Doral Academy, Inc.)

## Statement of Revenues, Expenditures, and Changes in Fund Balance

For the year ended June 30, 2016

	General Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State passed through local	\$ 10,824,600	\$ 11,150,000	\$ 11,176,290
Charges for services	100,000	114,000	114,846
Other revenue	40,000	40,000	42,312
Total Revenues	10,964,600	11,304,000	11,333,448
<b>EXPENDITURES</b>			
<b>Current:</b>			
Instruction	5,394,999	5,400,000	5,391,836
Instructional Staff Training	35,000	35,000	32,187
Board	359,400	350,000	348,600
School Administration	1,162,000	1,150,000	1,144,563
Facilities acquisition	-	-	-
Fiscal Services	250,800	250,200	250,200
Central Services	320,000	320,000	315,670
Pupil transportation services	20,000	14,000	13,901
Operation of Plant	1,146,286	1,150,000	1,161,990
Maintenance of Plant	350,000	365,000	360,333
Community Services	-	-	-
Total Current Expenditures	9,038,485	9,034,200	9,019,280
Excess of Revenues			
Over Current Expenditures	1,926,115	2,269,800	2,314,168
<b>Capital Outlay</b>			
Other Capital Outlay	390,000	800,000	738,485
<b>Debt Service:</b>			
Redemption of Principal	265,000	265,200	265,248
Interest	350,000	340,200	317,023
Total Capital Outlay and			
Debt Service Expenditures	1,005,000	1,405,400	1,320,756
Total Expenditures	10,043,485	10,439,600	10,340,036
Excess of Revenues Over Expenditures	921,115	864,400	993,412
<b>Other financing sources (uses):</b>			
Transfers in (out)	-	20,000	47,476
Long term deposits	(30,000)	(30,551)	-
Repayments of long term advances to charter schools	(750,000)	(500,000)	(500,000)
Net change in fund balance	141,115	353,849	540,888
Fund Balance at beginning of year	909,652	909,652	909,652
Fund Balance at end of year	\$ 1,050,767	\$ 1,263,501	\$ 1,450,540

Notes to Budgetary Comparison Schedule

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



**Doral Academy High School**  
(A charter school under The Doral Academy, Inc.)

**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the year ended June 30, 2016**

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State capital outlay funding	\$ 471,504	\$ 861,200	\$ 861,199
Federal sources	-	-	-
Federal school lunch program	350,000	370,000	371,265
Lunch fees	100,000	100,000	96,560
Total Revenues	921,504	1,331,200	1,329,024
<b>EXPENDITURES</b>			
<b>Current:</b>			
Instruction	-	-	-
Food services	440,000	440,000	412,518
Operation of Plant	471,504	861,200	861,199
Total Current Expenditures	911,504	1,301,200	1,273,717
Excess of Revenues			
Over Current Expenditures	10,000	30,000	55,307
Redemption of Principal	-	-	-
Capital Outlay	10,000	10,000	7,831
Debt Service Expenditures	10,000	10,000	7,831
Total Expenditures	921,504	1,311,200	1,281,548
Excess of Revenues Over Expenditures	-	20,000	47,476
Other financing sources (uses)			
Transfers in (out)	-	(20,000)	(47,476)
Net change in fund balance	-	-	-
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	\$ -	\$ -	\$ -

Notes to Budgetary Comparison Schedule

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

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

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To the Board of Directors of  
Doral Academy High School  
Doral, 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 Doral Academy High School (the "School") as of, and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon August 29, 2016.

**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 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 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*.

We issued a separate management letter dated August 29, 2016 pursuant to Chapter 10.850, Rules of the Auditor General.

## **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 29, 2016

MANAGEMENT LETTER

Board of Directors of  
Doral Academy High School  
Doral, Florida

**Report on the Financial Statements**

We have audited the financial statements of the governmental activities and each major fund of Doral Academy High School as of and for the year ended June 30, 2016 and have issued our report thereon dated August 29, 2016.

**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 Auditors' 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*. Disclosure in those reports, which are dated August 29, 2016, 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.

There were no findings and recommendations made in the preceding audit report.

**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 Doral Academy High 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 Doral Academy High 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 Doral Academy High 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 Doral Academy High School. It is management's responsibility to monitor Doral Academy High 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 have applied such procedures as of the fiscal year end and no deteriorating financial condition has been noted.

### **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 Doral Academy High 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 Doral Academy High 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.

### **Purpose of this Letter**

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

  
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 29, 2016