

Alpha Charter of Excellence, Inc.
Financial Statements and Supplementary Information
June 30, 2019



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Independent Auditors' Report

To the Board of Directors
Alpha Charter of Excellence, Inc.

We have audited the accompanying financial statements of the governmental activities and major funds of Alpha Charter of Excellence, Inc. (the "School") as of and for the year ended June 30, 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major funds of Alpha Charter of Excellence, Inc. as of June 30, 2019, and the respective changes in financial position for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Alpha Charter of Excellence, Inc.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 21-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2019, on our consideration of Alpha Charter of Excellence, Inc.'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 Alpha Charter of Excellence, Inc.'s internal control over financial reporting and compliance.

GLSC & Company, PLLC

Miami, Florida
September 13, 2019

**Alpha Charter of Excellence, Inc.
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Our discussion and analysis of Alpha Charter of Excellence, Inc.'s (the "School") financial performance provides a narrative overview of the School's financial activities for the year ended June 30, 2019. We encourage readers to read it in conjunction with the School's independent auditors' report, financial statements, accompanying notes and supplementary information to the financial statements.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year resulting in an unrestricted net position of \$443,860.
- The change in the School's total net position in comparison with the prior fiscal year was an increase of \$15,479. The key components of the School's net position and change in net position are reflected in the government-wide financial analysis section.
- As of June 30, 2019, the School's governmental funds reported ending fund balances of \$381,054. The entire fund balance belongs to the general fund as any excess revenues over expenditures in the other governmental funds are transferred to the general fund. The total fund balance is unassigned and available for spending at the School's discretion.

Overview of the Financial Statements

This discussion and analysis are intended to serve as the introduction to the School's financial statements. The School's financial statements are comprised of 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 the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information for all the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will eventually result in cash flows in future fiscal periods.

The *government-wide financial statements* distinguish the School's function as being principally supported by local revenues (FTE dollars through the Miami-Dade County School Board) (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The School does not have any business-type activities and no component units for which they are financially responsible. The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has one fund category, governmental funds. There are no proprietary or fiduciary funds maintained by the School. The fund financial statements present information in more detail than the government-wide financial statements.

Governmental funds *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains three governmental funds. The governmental balance sheet does not present funds separately as the other funds had no assets or liabilities at year-end. Information is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances. The School adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget. The governmental fund statements can be found on pages 11-14.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-20.

Required Supplementary Information

The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A) comprising pages 3-8, the budgetary comparison schedule, and the notes to budgetary comparison schedules which can be found on pages 21-23.

Supplementary Auditors' Reports This section includes the following:

- 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*, which can be found on pages 24-25.
- Schedule of Questioned Costs and Findings, which can be found on page 26.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 27-28.

Government-wide financial analysis: As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. As of June 30, 2019, the School's total net position increased by \$15,479 when compared to prior year.

As of June 30, 2019, net investment in capital assets (e.g., improvements other than buildings and equipment) amounted to 62,806.

	Governmental Activities		Increase
	<u>2019</u>	<u>2018</u>	<u>(Decrease)</u>
Assets			
Current and other assets	\$ 472,269	\$ 467,495	\$ 4,774
Capital assets, net of depreciation	<u>62,806</u>	<u>53,969</u>	<u>8,837</u>
Total assets	<u>535,075</u>	<u>521,464</u>	<u>13,611</u>
Liabilities			
Current and other liabilities	<u>91,215</u>	<u>93,084</u>	<u>(1,869)</u>
Total liabilities	<u>91,215</u>	<u>93,084</u>	<u>(1,869)</u>
Net position			
Net investment in capital assets	62,806	53,969	8,837
Unrestricted	<u>381,054</u>	<u>374,412</u>	<u>6,642</u>
Total net position	<u>\$ 443,860</u>	<u>\$ 428,381</u>	<u>\$ 15,479</u>

Total assets increased by \$13,611 (2.61%) mainly as a result of \$8,837 increase in capital assets. The \$8,837 (16.37%) increase in capital assets is due to increased purchasing during the year.

Total liabilities decreased by \$1,869 (-2.01%) and the unrestricted net position increased by \$6,642 (1.77%) from prior year. The School's assets exceeded liabilities by \$443,860 at June 30, 2019.

Governmental activities The School's total net position at the end of the year amounted to \$443,860, an increase of \$15,479 (3.62%) from the previous fiscal year. The total cost of all governmental activities this year was \$2,995,482. Key elements of these changes in net position are as follows:

	Governmental Activities		Increase
	<u>2019</u>	<u>2018</u>	<u>(Decrease)</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,288	\$ 576	\$ 712
Operating grants and contributions	447,201	373,079	74,122
Capital grants and contributions	190,507	170,527	19,980
General revenues			
Florida Education Finance Program (FEFP) □	2,356,338	2,377,033	(20,695)
Local sources	<u>15,627</u>	<u>12,815</u>	<u>2,812</u>
Total revenues	<u>3,010,961</u>	<u>2,934,030</u>	<u>76,931</u>
Expenses:			
Instruction	1,405,655	1,144,399	261,256
Instruction and curriculum development services	11,496	-	11,496
Instructional staffing services	71,016	210,707	(139,691)
Student support services	1,800	1,955	(155)
Board	9,407	394	9,013
General administration	93,098	150,616	(57,518)
School administration	246,391	255,809	(9,418)
Facilities and acquisition	494,690	404,421	90,269
Fiscal services	39,883	55,211	(15,328)
Food services	252,988	230,458	22,530
Pupil transportation services	2,223	2,745	(522)
Operations of plant	233,190	153,297	79,893
Maintenance of plant	50,701	106,710	(56,009)
Technology services	57,867	16,567	41,300
Unallocated depreciation expense	<u>25,077</u>	<u>14,776</u>	<u>10,301</u>
Total expenses	<u>2,995,482</u>	<u>2,748,065</u>	<u>247,417</u>
Change in net position	15,479	185,965	(170,486)
Net position, beginning	<u>428,381</u>	<u>242,416</u>	<u>185,965</u>
Net position, ending	<u>\$ 443,860</u>	<u>\$ 428,381</u>	<u>\$ 15,479</u>

The School's total revenues increased by \$76,931 (2.62%) during the year. The \$76,931 increase is mainly due to a \$74,122 (19.87%) increase in operating grants and contributions. The increase in operating grants is a result of approximately \$70,000 in student lunch funds received from the state.

Total expenses before transfers increased by \$247,417 (9.0%) from prior year. This increase was mainly due to an increase in instruction costs of approximately \$261,256 (22.83%) which was offset by a decrease in instructional staffing services of \$139,691 (-66.30%). The changes in the two accounts has to do with the allocation of expenses between the two years. Additionally, facilities and acquisitions expense increased by 90,269 (22.69%) of which approximately \$40,000 relates to the yearly rent increase.

General Budgetary Highlights

For the fiscal year ended June 30, 2019, the School had final estimated revenues and appropriations of \$3,123,979 and \$3,088,286, respectively. The majority of the variance between budgeted and actual general fund expenditures for the year ended June 30, 2019 is due to certain anticipated costs that were not incurred in the current fiscal year.

Capital Assets

The School's investment in capital assets for its governmental activities as of June 30, 2019 amounted to \$62,806, net of accumulated depreciation. This investment in capital assets includes improvements other than buildings, and equipment.

Capital Assets (net of depreciation)

	Governmental Activities		Increase
	<u>2019</u>	<u>2018</u>	<u>(Decrease)</u>
Improvements other than buildings	\$ 5,336	\$ 10,053	\$ (4,717)
Equipment	57,470	43,916	13,554
Total capital assets	<u>\$ 62,806</u>	<u>\$ 53,969</u>	<u>\$ 8,837</u>

In fiscal year 2018-2019, total capital purchases amounted to approximately \$33,914. Additional information on the School's capital assets can be found in Note 3 of the notes to the financial statements (page 19).

Economic Factors and Other Events

- The School continues to receive funds from state sources in the form of Florida Education Finance Program Fees (FEFP). The fees are evaluated in October and February and are based on student enrollment.
- Miami-Dade County School Board will maintain the administrative costs at 5% on the first 500 students.
- The School should surpass its budgeted amount of 320 students for the 2019-2020 School year.

Requests for Information

This financial report is designed to provide the reader with a general overview of the School's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to Isabel Navas, Principal, 1223 SW 4th Street, Miami, Florida 33135.

Alpha Charter of Excellence, Inc.
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 429,968
Accounts receivable	22,213
Total current assets	452,181
Capital assets, net	62,806
Other Assets	
Deposits	20,088
Total assets	535,075
Liabilities and Net Position	
Liabilities	
Accounts payable	11,974
Accrued payroll	79,241
Total liabilities	91,215
Net Position	
Net investment in capital assets	62,806
Unrestricted	381,054
Total net position	\$ 443,860

The accompanying notes are an integral part of the financial statements.

**Alpha Charter of Excellence, Inc.
Statement of Activities
For the Year Ended June 30, 2019**

<u>Functions/Programs</u>	<u>Expenditures</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental activities:					
Instruction	\$ 1,405,655	\$ -	\$ 112,139	\$ -	\$ (1,293,516)
Instruction and curriculum development services	11,496	-	67,861	-	56,365
Instructional staffing services	71,016	-	-	-	(71,016)
Student support services	1,800	-	-	-	(1,800)
Board	9,407	-	-	-	(9,407)
General administration	93,098	-	-	-	(93,098)
School administration	246,391	-	-	-	(246,391)
Facilities and acquisition	494,690	-	-	190,507	(304,183)
Fiscal services	39,883	-	-	-	(39,883)
Food services	252,988	1,288	267,201	-	15,501
Pupil transportation services	2,223	-	-	-	(2,223)
Operations of plant	233,190	-	-	-	(233,190)
Maintenance of plant	50,701	-	-	-	(50,701)
Technology services	57,867	-	-	-	(57,867)
Unallocated depreciation expense	25,077	-	-	-	(25,077)
Total governmental activities	<u>\$ 2,995,482</u>	<u>\$ 1,288</u>	<u>\$ 447,201</u>	<u>\$ 190,507</u>	<u>(2,356,486)</u>

General revenues:	
Florida Education Finance Program	2,356,338
Other local sources	15,627
Total general revenues	<u>2,371,965</u>
Change in net position	15,479
Net position, beginning	428,381
Net position, ending	<u>\$ 443,860</u>

The accompanying notes are an integral part of the financial statements.

**Alpha Charter of Excellence, Inc.
Balance Sheet - Governmental Fund
June 30, 2019**

	General Fund
Assets	
Cash	\$ 429,968
Accounts receivable, net	22,213
Deposits	20,088
Total assets	\$ 472,269
 Liabilities and Fund Balance	
Liabilities:	
Accrued salaries	\$ 79,241
Accounts payable	11,974
Total liabilities	91,215
 Fund Balance	
Unassigned	381,054
Total fund balance	381,054
Total liabilities and fund balance	\$ 472,269

The accompanying notes are an integral part of the financial statements.

Alpha Charter of Excellence, Inc.
Reconciliation of the Balance Sheet - Governmental Fund
to the Statement of Net Position
June 30, 2019

Total fund balance, governmental fund (page 11)	\$ 381,054
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund level statements	
Capital assets, net	<u>62,806</u>
Net position of governmental activities (Page 9)	<u>\$ 443,860</u>

The accompanying notes are an integral part of the financial statements.

Alpha Charter of Excellence, Inc.
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Special Revenue	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
School Board of Miami-Dade County			
Florida Education Finance Program (FEFP)	\$ 2,356,338	\$ -	\$ 2,356,338
Capital outlay	190,507	-	190,507
Federal passed through state	-	448,489	448,489
Other local sources	<u>15,627</u>	<u>-</u>	<u>15,627</u>
Total revenues:	2,562,472	448,489	3,010,961
Expenditures:			
Instruction	1,295,316	110,339	1,405,655
Instruction and curriculum development services	11,496	-	11,496
Instructional staffing services	3,155	67,861	71,016
Student support services	-	1,800	1,800
Board	9,407	-	9,407
General administration	93,098	-	93,098
School administration	246,391	-	246,391
Facilities and acquisition	528,604	-	528,604
Fiscal services	39,883	-	39,883
Food services	-	252,988	252,988
Pupil transportation services	2,223	-	2,223
Operations of plant	233,190	-	233,190
Maintenance of plant	50,701	-	50,701
Technology services	<u>57,867</u>	<u>-</u>	<u>57,867</u>
Total expenditures:	2,571,331	432,988	3,004,319
Net changes in fund balances	(8,859)	15,501	6,642
Transfers	15,501	(15,501)	-
Fund balance, beginning	<u>374,412</u>	<u>-</u>	<u>374,412</u>
Fund balance, ending	<u>\$ 381,054</u>	<u>\$ -</u>	<u>\$ 381,054</u>

The accompanying notes are an integral part of the financial statements.

Alpha Charter of Excellence, Inc.
Notes to the Financial Statements
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Alpha Charter of Excellence, Inc. (the "School") was established as a not-for-profit organization under the laws of the State of Florida in June 2012, for the purpose of maximizing student achievement through service-learning activities and projects in a safe, nurturing micro-society environment. The School operates as a charter School pursuant to a Charter School Contract ("the Contract") with the Miami-Dade County Public School Board (the District or School Board). The original contract was effective for five years expiring in 2017. In 2017, the Contract with the School Board was renewed for another five years expiring in June 2022. For financial statement purposes the School is considered a component unit of the School Board of Miami-Dade County, which is a primary government entity for financial reporting.

The School has a current enrollment of 318 students for the 2018-2019 school year.

Government-Wide and Fund Financial Statements

The School's government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the School's activities. The effect of interfund activity has been removed from these statements. Full-time equivalent (FTE) dollars and intergovernmental revenues support governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. FTE dollars and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements. The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The School's government-wide financial statements are reported 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 the related cash flows. Grants and other similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The School's fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

FTE dollars, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

The School reports the following major funds:

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

Special Revenue Fund – accounts for specific revenue, such as federal grants and capital outlay grants that are legally restricted to expenditures for particular purposes.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Equity

a. Cash and Cash Equivalents

The School considers all highly liquid investments that have an original maturity of three months or less as cash equivalents. The School maintains its cash in approved qualified public depository accounts.

b. Accounts Receivable

All receivables are considered to be collectible. No allowance for uncollectible accounts is recorded.

c. Capital Assets

Capital assets, which include equipment and leasehold improvements, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial / individual cost more than \$1,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Costs of normal maintenance and repairs are expensed as incurred. Major repairs and improvements that extend the life of the asset are capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

c. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements other than buildings	7
Furniture, fixtures & equipment	3

In accordance with Florida Statutes, all property and improvements, furnishings and equipment purchased with public funds will automatically revert to full ownership by the Miami-Dade County School Board upon the non-renewal or termination of the charter agreement.

d. Equity Classifications

Government-wide Financial Statements

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

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation which are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. The School has no restricted assets as of June 30, 2019.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Financial Statements

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the School's are bound to honor constraints on the specific purposes for which amounts in these funds can be spent. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Directors (highest level of decision-making authority) through an ordinance or resolution are classified as committed fund balances. Amounts that are constrained by the intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by the School's principal based on the Board's delegation. Non-spendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

d. Equity Classifications (Continued)

Fund Financial Statements (Continued)

The School's policy is to apply expenditures against restricted fund balances, followed in order by committed funds, then assigned funds, and finally unassigned fund balances, at the end of the fiscal year. The School's Board of Directors can deviate from this policy if it is in the best interest of the School.

Revenue Sources

Revenues for current operations are received primarily from the Miami-Dade County School Board pursuant to the funding provisions included in the School's charter. Under the provisions of Section 1002.33, Florida Statutes, and the School's charter, the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual FTE students reported by the School during the designated student survey periods.

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 amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

Concentrations of Credit Risk

Custodial credit risk for cash deposits is the risk that, in event, of the failure of a depository financial institution, the School will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. As of June 30, 2019, the School's custodial credit risk is approximately \$191,144. The School maintains cash with a high-quality financial institution that meets the definition of a qualified public depository as defined by Chapter 280, Florida Statutes. The School filed the required Public Depositor Annual Report with the Florida Department of Financial Services, thus all of the School's deposits are entirely insured.

Date of Management Review

Management has evaluated events that occurred subsequent to year end for potential recognition or disclosure in the financial statements, through the date on which they were available to be issued. Subsequent events were evaluated through September 13, 2019, the date which the financial statements were available to be issued.

2. DEPOSITS

The School's cash and cash equivalents include demand deposits. At June 30, 2019, the School's deposits totaled \$441,144. The School's deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). All cash deposits are held at banks qualified as public depositories under Florida law.

3. CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Improvements other than building	\$ 322,161	\$ -	\$ -	\$ 322,161
Equipment	<u>177,843</u>	<u>33,914</u>	-	<u>211,757</u>
Total capital assets being depreciated	<u>500,004</u>	<u>33,914</u>	-	<u>533,918</u>
Less: accumulated depreciation for:				
Improvements other than building	(312,108)	(4,717)	-	(316,825)
Equipment	<u>(133,927)</u>	<u>(20,360)</u>	-	<u>(154,287)</u>
Total accumulated depreciation	<u>(446,035)</u>	<u>(25,077)</u>	-	<u>(471,112)</u>
Total capital assets being depreciated, net	<u>\$ 53,969</u>	<u>\$ 8,837</u>	<u>\$ -</u>	<u>\$ 62,806</u>

Depreciation expense of \$25,077 was unallocated during the year ended June 30, 2019.

4. RECEIVABLES

Receivables as of June 30, 2019, for the School are as follows:

Due from Miami-Dade County	\$ 14,371
Due from Federal	<u>7,842</u>
Total receivables	<u>\$ 22,213</u>

5. OPERATING LEASES

The School operates under a non-cancelable operating lease agreement which expires in June 2022. The agreement requires monthly rental payments plus an allocation of operating charges and real estate taxes. For the fiscal year ended June 30, 2019, rent expense was approximately \$494,000.

5. OPERATING LEASES (Continued)

Future minimum rental payments under this lease arrangement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 519,000
2021	519,000
2022	<u>548,000</u>
	<u>\$ 1,586,000</u>

6. MANAGEMENT AGREEMENT

The School has a management agreement with the Charter School Services Inc. (d/b/a Building Hope) to provide management services for the School as of June 1, 2017. The agreement is renewed annually. Building Hope provides administrative, accounting and finance services. Under the terms of the agreement, the School will pay approximately \$110 per full time equivalent student. Total management fees for the year ended were approximately \$40,000.

7. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the School carries commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

8. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to future audit and compliance testing, which may result in adjustments by Federal or State grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of such expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the School's expect such amounts, if any, to be immaterial.

Required Supplementary Information

Alpha Charter of Excellence, Inc.
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
School Board of Miami-Dade County			
Florida Education Finance Program (FEFP)	\$ 2,511,439	\$ 2,356,338	\$ (155,101)
Capital Outlay	169,020	190,507	21,487
Other local sources	<u>14,370</u>	<u>15,627</u>	<u>1,257</u>
Total Revenues:	<u>2,694,829</u>	<u>2,562,472</u>	<u>(132,357)</u>
Expenditures:			
Instruction	1,358,130	1,295,316	62,814
Instruction and curriculum development services	500	11,496	(10,996)
Instructional staffing services	-	3,155	(3,155)
Board	500	9,407	(8,907)
General administration	-	93,098	(93,098)
School administration	314,305	246,391	67,914
Facilities and acquisition	494,224	528,604	(34,380)
Fiscal services	154,000	39,883	114,117
Pupil transportation services	540	2,223	(1,683)
Operations of plant	212,073	233,190	(21,117)
Maintenance of plant	51,000	50,701	299
Technology services	<u>73,725</u>	<u>57,867</u>	<u>15,858</u>
Total expenditures:	2,658,997	2,571,331	87,666
Net change in fund balance	35,832	(8,859)	(44,691)
Transfers	(139)	15,501	15,640
Fund balance, beginning	<u>374,412</u>	<u>374,412</u>	<u>-</u>
Fund balance, ending	<u>\$ 410,105</u>	<u>\$ 381,054</u>	<u>\$ (29,051)</u>

Alpha Charter of Excellence, Inc.
Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended June 30, 2019

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
School Board of Miami-Dade County			
Federal passed through state	\$ 429,150	\$ 448,489	\$ 19,339
Total Revenues:	<u>429,150</u>	<u>448,489</u>	<u>19,339</u>
Expenditures:			
Instruction	124,545	110,339	14,206
Instructional staffing services	76,598	67,861	8,737
Student support services	2,032	1,800	232
Food services	<u>226,114</u>	<u>252,988</u>	<u>(26,874)</u>
Total expenditures:	429,289	432,988	(3,699)
Net change in fund balance	(139)	15,501	15,640
Transfers	139	(15,501)	(15,640)
Fund balance, beginning	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Alpha Charter of Excellence, Inc.
Notes to the Budgetary Comparison Schedule
Governmental Funds
For the Year Ended June 30, 2019

Note 1 – Budgets and Budgetary Accounting

An operating budget was adopted and maintained by the governing board for the School pursuant to the requirement of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget is in the aggregate. Any budget amendments must be approved by the Board of Directors. Actual expenditures did not exceed budgeted amounts for the year ended June 30, 2019.

**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**

To the Board of Directors
Alpha Charter of Excellence, Inc.

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 major funds of Alpha Charter of Excellence, Inc., (the "School") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 13, 2019.

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 Alpha Charter of Excellence, Inc.'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 deficiency in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. See finding 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

To the Board of Directors
Alpha Charter of Excellence, Inc.

Alpha Charter of Excellence, Inc. Response to Findings

Alpha Charter of Excellence, Inc. response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Alpha Charter of Excellence, Inc. response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

GLSC & Company, PLLC

Miami, Florida
September 13, 2019

ALPHA CHARTER OF EXCELLENCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2019-001 Internal Controls Over Financial Reporting

Condition: During our audit we noted that the lease expense was not properly expensed in accordance with GAAP. Leases with escalating rent payments should be expensed straight-line over the life of the lease. This resulted in an understatement of rent expense and an overstatement of net position for the year ended June 30, 2019.

Cause: The School did not properly evaluate the lease agreement to identify the impact of the escalating lease payments.

Effect: This finding resulted in an understatement of rent expense of \$25,873.

Recommendation: We recommend that the School implement proper controls to evaluate lease agreements and identify escalating rent payments in order to record the related rent expense in accordance with GAAP.

Management's Response: Management does not believe that the impact of the escalating rent payments is material and therefore will recognize the rent expense based on current year payments. In addition, Management considered that accounting for leases will change based upon the new guidance in GASB Statement No. 87, Leases, which will be effective for reporting periods that begin subsequent to December 15, 2019. Management will re-evaluate the escalating rent payments in connection with the adoption of GASB 87.



**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES
OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Directors
Alpha Charter of Excellence, Inc.

Report on the Financial Statements

We have audited the financial statements of Alpha Charter of Excellence, Inc., (the "School") as of and for the year ended June 30, 2019, and have issued our report thereon dated September 13, 2019.

Auditors' Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in those reports and schedule, which are dated September 13, 2019, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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 or recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and school code. The official title and school code assigned by the Florida Department of Education of the entity are Alpha Charter of Excellence, Inc. and 5410.

Financial Condition and Management

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the Alpha Charter of Excellence, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that Alpha Charter of Excellence, Inc. 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 Alpha Charter of Excellence, Inc. It is management's responsibility to monitor Alpha Charter of Excellence, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination whether Alpha Charter of Excellence, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Alpha Charter of Excellence, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did identify a significant deficiency in internal control, described in the accompanying schedule of findings and questioned costs. Refer to finding 2019-001.

We wish to thank the School and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

GLSC & Company, PLLC

Miami, Florida
September 13, 2019