

***STELLAR LEADERSHIP ACADEMY, INC.***  
***A Charter School and Component Unit of the***  
***District School Board of Miami-Dade County, Florida***

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

***Year Ended June 30, 2014***

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Stellar Leadership Academy, Inc.

*A Charter School and Component Unit of the*

*District School Board of Miami-Dade County, Florida*

Miami, Florida

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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

### **Opinions**

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 and the budgetary comparison information on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2014 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



August 28, 2014  
Hollywood, FL

**STELLAR LEADERSHIP ACADEMY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

Our discussion and analysis of the Stellar Leadership Academy, Inc.'s ("Academy") financial program provides an overview of the Academy's financial activities for the year ended June 30, 2014.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with the Academy's financial statements which begin on page 7.

For financial statement purposes, the Academy is considered a component unit of the District School Board of Miami-Dade County, Florida, which is a primary government entity for financial reporting. The Academy has included separate statements for the Balance Sheet of Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds. The Fund Financial Statements reflect financing activities of the Academy by providing information on inflows and outflows of spendable resources, while the Statement of Net Position and the Statement of Activities provide information on the activities of the Academy.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### ***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Academy's financial position. Included in these statements are all assets and liabilities using the accrual method of accounting. All of the current year's revenues and expenses are recorded when received.

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

*The Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

### ***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.

*Governmental Funds* - All of the Academy's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Academy's governmental activities and the basic services it provides.

**STELLAR LEADERSHIP ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

*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 13-20 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the Academy's financial position. The Academy's assets exceeded liabilities by \$183,960 and \$274,133 at June 30, 2014 and 2013, respectively.

**NET POSITION**

	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>Variances</b></u>
Current assets	\$ 190,825	\$ 470,387	\$ (279,562)
Capital asset, net	<u>24,498</u>	<u>48,996</u>	<u>(24,498)</u>
Total assets	<u><b>\$ 215,323</b></u>	<u><b>\$ 519,383</b></u>	<u><b>\$ (304,060)</b></u>
Current liabilities	\$ 31,363	\$ 114,852	\$ (83,489)
Long term liabilities	<u>-</u>	<u>24,498</u>	<u>(24,498)</u>
Total liabilities	31,363	139,350	(107,987)
Deferred Revenue	-	105,900	(105,900)
Net position			
Investment in Capital Assets	24,498	-	24,498
Unrestricted	<u>159,462</u>	<u>274,133</u>	<u>(114,671)</u>
Total Net Position	<u><b>183,960</b></u>	<u><b>274,133</b></u>	<u><b>(90,173)</b></u>
Total liabilities and net position	<u><b>\$ 215,323</b></u>	<u><b>\$ 519,383</b></u>	<u><b>\$ (304,060)</b></u>

<u><b>Revenue Source</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>Variance</b></u>
State passed through local school	\$ 1,730,845	\$ 1,579,627	\$ 151,218
Federal passed through local schools	18,720	-	18,720
Other Revenue	<u>58,644</u>	<u>157,248</u>	<u>(98,604)</u>
Total	<u><b>\$ 1,808,209</b></u>	<u><b>\$ 1,736,875</b></u>	<u><b>\$ 71,334</b></u>

**STELLAR LEADERSHIP ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

Revenues for governmental activities totaled \$1,808,209 and \$1,736,875 for the years ended June 30, 2014 and 2013, respectively. The main source of revenue was from the Florida Education Finance Program ("FEFP"). Other revenue consists of old donated equipment and contributed rent for the years ended June 30, 2014 and 2013, respectively.

Expenses for major functions of the Academy are shown in the following table:

	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Instruction	\$ 683,606	\$ 505,620	\$ 177,986
Instructional staff training	108	51	57
Instructional related technology	40,260	25,561	14,699
Board expenses	34,580	7,735	26,845
General administration	218,021	251,511	(33,490)
School administration	148,617	152,975	(4,358)
Facilities acquisition & construction	306,051	-	306,051
Fiscal services	44,265	43,035	1,230
Pupil transportation	60,440	90,688	(30,248)
Pupil personnel services	142,497	66,982	75,515
Operation of plant	218,842	601,565	(382,723)
Maintenance of plant	1,095	-	1,095
Totals	<u>\$ 1,898,382</u>	<u>\$ 1,745,723</u>	<u>\$ 152,659</u>

**FUND FINANCIAL ANALYSIS**

Key highlights for the fiscal years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Revenues	\$ 1,808,209	\$ 1,736,875	\$ 71,334
Expenditures	(1,873,884)	(1,721,225)	(152,659)
Other Financial sources:			
Debt payment	<u>(24,498)</u>	<u>(24,498)</u>	<u>-</u>
Change in fund balance	(90,173)	(8,848)	(81,325)
Fund balance, beginning of year	<u>249,635</u>	<u>258,483</u>	<u>(8,848)</u>
Fund balance, end of year	<u>\$ 159,462</u>	<u>\$ 249,635</u>	<u>\$ (90,173)</u>

**STELLAR LEADERSHIP ACADEMY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

**CURRENT YEAR VS PRIOR YEAR RESULTS**

The 2013-2014 school year was the ninth year that the Academy enrolled students. Total revenue was \$1,808,209 and \$1,736,875 for the years ended June 30, 2014 and 2013, respectively. The increase in revenue was the result of the Academy receiving more capital outlay this year compared to the prior year. Total expenses were \$1,873,884 and \$1,721,225 for the years ended June 30, 2014 and 2013, respectively. The \$152,659 increase in expenses is primarily attributable to an increase in the instruction and pupil services functions.

**BUDGETARY HIGHLIGHTS**

Actual revenue was \$145,329 lower than budgeted in the general fund because the Academy anticipated a higher student count before the school year began and during the school year.

Expenses were more than the amount budgeted by \$132,445. The increase is primarily related to an increase in materials purchased and downloads for the students.

**PROSPECTS FOR THE FUTURE**

The Academy is actively marketing to increase student count. An increase in student count will lead to an increase in both revenues and expenses.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Stellar Leadership Academy, Inc., 7900 Northwest 27th Avenue, Suite F-1, Miami, Florida 33147.



**Stellar Leadership Academy Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Miami-Dade County, Florida**

**Statement of Net Position**  
**June 30, 2014**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 144,188
Accounts receivable, net	13,328
Due from management company	8,551
Deposits	21,458
Prepaid expenses	3,300
Total current assets	<u>190,825</u>
<b>CAPITAL ASSETS</b>	
Capital Assets, Net of Accumulated Depreciation	
Furniture, fixtures and equipment	-
Computer software	24,498
Total capital assets	<u>24,498</u>
Total assets	<u>\$ 215,323</u>
<b>LIABILITES AND NET POSITION</b>	
<b>LIABILITES</b>	
Accounts payable	\$ 9,753
Accrued salaries and payroll deductions	21,610
Total liabilities	<u>31,363</u>
<b>NET POSITION</b>	
Investment in capital assets	24,498
Unrestricted	159,462
Total net position	<u>183,960</u>
Total liabilities and net position	<u>\$ 215,323</u>

The accompanying notes are an integral part of these basic financial statements.

**Stellar Leadership Academy Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Miami-Dade County, Florida**

**Statement of Activities**  
**For the Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities</b>					
Basic instruction	\$ 683,606	\$ -	\$ 18,720	\$ -	\$ (664,886)
Instruction & curriculum development	-	-	-	-	-
Instructional staff training	108	-	-	-	(108)
Instruction related technology	40,260	-	-	-	(40,260)
Board	34,580	-	-	-	(34,580)
General administration	218,021	-	-	-	(218,021)
School administration	148,617	-	-	-	(148,617)
Facilities acquisition and construction	306,051	-	-	162,109	(143,942)
Pupil personnel services	142,497	-	-	-	(142,497)
Pupil transportation services	60,440	-	-	-	(60,440)
Operation of plant	218,842	-	-	-	(218,842)
Maintenance of plant	1,095	-	-	-	(1,095)
Fiscal services	44,265	-	-	-	(44,265)
Total governmental activities	<u>\$ 1,898,382</u>	<u>\$ -</u>	<u>\$ 18,720</u>	<u>\$ 162,109</u>	<u>(1,717,553)</u>

**General Revenues**

Grants and contributions not restricted to specific programs	-
FEFP	1,568,736
Investment earnings	-
Miscellaneous	58,644
Total General Revenues	<u>1,627,380</u>
Change in net position	(90,173)
Net position, July 1, 2013	274,133
Net position, June 30, 2014	<u>\$ 183,960</u>

The accompanying notes are an integral part of these basic financial statements.

**Stellar Leadership Academy Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Miami-Dade County, Florida**

**Balance Sheet - Governmental Funds**  
**June 30, 2014**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
<b>ASSETS</b>				
Cash	\$ 144,188	\$ -	\$ -	\$ 144,188
Accounts receivable	13,328	-	-	13,328
Due from management company	8,551	-	-	8,551
Deposits	21,458	-	-	21,458
Prepaid expenses	3,300	-	-	3,300
Total Assets	<u>\$ 190,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,825</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 9,753			\$ 9,753
Accrued salaries	21,610	\$ -	\$ -	21,610
Total Liabilities	<u>31,363</u>	<u>-</u>	<u>-</u>	<u>31,363</u>
<b>FUND BALANCES</b>				
Nonspendable	24,758	-	-	24,758
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	134,704	-	-	134,704
Total Fund Balances	<u>159,462</u>	<u>-</u>	<u>-</u>	<u>159,462</u>
Total Liabilities and Fund Balances	<u>\$ 190,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,825</u>

The accompanying notes are an integral part of these basic financial statements.

**Stellar Leadership Academy Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Miami-Dade County, Florida**

**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2014**

Fund Balance - Governmental Funds			\$ 159,462
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds			
Governmental capital assets		\$ 226,792	
Less accumulated depreciation		<u>(202,294)</u>	
			<u>24,498</u>
Net Assets of Governmental Activities			\$ <u><u>183,960</u></u>

The accompanying notes are an integral part of these basic financial statements.

**Stellar Leadership Academy Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Miami-Dade County, Florida**

**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>REVENUES</b>				
Federal passed through local school district	\$ -	\$ 18,720	\$ -	\$ 18,720
State passed through local school district	1,568,736	-	162,109	1,730,845
Other revenue	58,644	-	-	58,644
Investment earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	1,627,380	18,720	162,109	1,808,209
<b>EXPENDITURES</b>				
Basic instruction	640,388	18,720	-	659,108
Instruction & curriculum development	-	-	-	-
Instructional staff training	108	-	-	108
Instruction related technology	40,260	-	-	40,260
Board	34,580	-	-	34,580
General administration	218,021	-	-	218,021
School administration	148,617	-	-	148,617
Facilities acquisition and construction	143,942	-	162,109	306,051
Pupil personnel services	142,497	-	-	142,497
Pupil transportation services	60,440	-	-	60,440
Operation of plant	218,842	-	-	218,842
Maintenance of plant	1,095	-	-	1,095
Fiscal services	44,265	-	-	44,265
Total expenditures	<u>1,693,055</u>	<u>18,720</u>	<u>162,109</u>	<u>1,873,884</u>
Excess (Deficiency) of revenues over expenses	<u>(65,675)</u>	<u>-</u>	<u>-</u>	<u>(65,675)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Repayment of debt	<u>(24,498)</u>	<u>-</u>	<u>-</u>	<u>(24,498)</u>
Total other financing sources (uses)	<u>(24,498)</u>	<u>-</u>	<u>-</u>	<u>(24,498)</u>
Net change in fund balance	(90,173)	-	-	(90,173)
Fund balances, July 1, 2013	<u>249,635</u>	<u>-</u>	<u>-</u>	<u>249,635</u>
Fund balances, June 30, 2014	<u>\$ 159,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,462</u>

The accompanying notes are an integral part of these basic financial statements.

**Stellar Leadership Academy Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Miami-Dade County, Florida**

**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**June 30, 2014**

Net Change in fund balances - governmental funds	\$ (90,173)
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Amounts reported for governmental activities in the statement of net assets are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	-	
Less current year depreciation	<u>(24,498)</u>	(24,498)

Payments on the software license obligation are reported as expenditures in the governmental funds because they require the use of current financial resources. They are reported as a reduction in long-term liabilities in the statement of net position. This amount represents the portion of the software license obligation that became due and payable in the current year.

	<u>48,996</u>
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Change in Net Assets of Governmental Activities	\$ <u><u>(65,675)</u></u>
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The accompanying notes are an integral part of these basic financial statements.

**STELLAR LEADERSHIP ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of**  
**Miami-Dade County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Reporting entity**

Stellar Leadership Academy, Inc. (the "Academy") operates as a Charter School pursuant to a Charter School Contract ("the Contract") with the District School Board of Miami-Dade County, Florida ("the District"). Under the Contract, the Academy provides high school education to children who reside in Miami-Dade County. The governing body of the Academy is the Board of Directors, which is composed of three members.

The Academy is an non-profit organization and is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

The general operating authority of the Academy is contained in Section 1002.33, Florida Statutes. The current charter is effective until June 30, 2015. The charter may be renewed as provided in Section 1002.33, Florida Statutes, upon mutual consent of the parties and execution of a written renewal. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the Academy in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown.

Criteria for determining if other entities are potential component units which should be reported within the Academy's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the Academy is financially accountable and other organizations for which the nature and significance of their relationship with the Academy are such that exclusion would cause the Academy's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Academy. The Academy is a component unit of the District.

**2. Government-wide and fund financial statements**

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information on all of the nonfiduciary activities of the Academy. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the Academy does not engage in any business type activities.

**STELLAR LEADERSHIP ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of**  
**Miami-Dade County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2. Government-wide and fund financial statements (continued)**

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets, restricted net assets; and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the Academy has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 is effective for fiscal years ending June 30, 2012 and establishes the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

- Nonspendable fund balance - includes amounts that are not in a spendable form or are required to be maintained intact and that are not expected to be converted to cash. The nonspendable fund balance includes deposits and prepaid expenses totaling \$24,758 at June 30, 2014.
- Restricted fund balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- Committed fund balance - includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. Commitments may be changed or lifted only by the Academy taking the same formal action that imposed the constraint originally. There is no committed fund balance at June 30, 2014.



**STELLAR LEADERSHIP ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of**  
**Miami-Dade County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2. Government-wide and fund financial statements (continued)**

- Assigned fund balance - comprises amounts intended to be used by the Academy for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. There is no assigned fund balance at June 30, 2014.
- Unassigned fund balance - the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund. The unassigned fund balance at June 30, 2014 is \$134,704.

Separate fund financial statements report detailed information about the Academy's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of the Academy's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government - wide presentation.

**3. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

**STELLAR LEADERSHIP ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of**  
**Miami-Dade County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

The Academy'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. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Academy reports the following major governmental funds:

General Fund — the general operating fund of the Academy. It is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - to account for the proceeds Capital Outlay and other revenues that are legally restricted to expenditures for capital projects.

The Academy has a revenue spending policy that provides policy for programs with multiple revenue sources. The board of directors will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-city funds, city funds and funds passed through the District. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The board of directors has the authority to deviate from this policy if it is in the best interest of the Academy.

4. Budgetary basis of accounting

The Academy's annual budgets are adopted for the entire operations for the Academy and may be amended by the Board of Directors (the "Board"). Since the budgetary basis differs from generally accepted accounting principles ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation to deficiency of revenues under expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

**STELLAR LEADERSHIP ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of**  
**Miami-Dade County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

5. Cash

Cash is made up of cash on hand at the Academy and/or checking and money market accounts held at one financial institution. The Academy has no cash equivalents.

6. Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. The Academy recorded \$57,800 of donated assets as other revenue and instruction expense as none of the donated items met the Academy's capitalization policy. For the year ended June 30, 2014, the Academy recorded net capital assets of \$24,498.

Property, plant and equipment of the Academy is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Furniture, fixtures and equipment	3-5
Software	3

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

7. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District to the Academy pursuant to the funding provisions included in the Academy's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the Academy reports 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 FTE students and related data to the Florida Department of Education (FDE) for funding through the Florida Education Finance Program (FEFP). Funding for the Academy is adjusted during the year to reflect revised calculations by the FDE under the FEFP and actual weighted FTE students reported by the Academy during designated FTE student survey periods.

The Academy receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

**STELLAR LEADERSHIP ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of**  
**Miami-Dade County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

**8. Use of estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**9. Income taxes**

The Academy is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is recorded in the accompanying financial statements.

The Academy adopted the provisions of FASB ASC 740 (formerly FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* (FIN 48)). Under FASB ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of ACS 740 had no impact on the Academy's financial statements. The Academy does not believe there are any uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

The Academy is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Academy's federal income tax returns for 2011-2014 remain subject to examination by major tax jurisdictions.

**STELLAR LEADERSHIP ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of**  
**Miami-Dade County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE B - CONCENTRATIONS**

1. Revenue sources

As stated in Note A-7, the Academy receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
Federal grants through local district	\$ 18,720
State funding through local district	1,730,845
Other revenue	58,644
	<u>\$1,808,209</u>

2. Cash

Under Chapter 280, Florida Statutes, the Academy's deposits must be placed in banks and savings and loans which are qualified as public depositories. The Academy maintains cash deposits at a bank in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer and collateral pool. As of June 30, 2014, there were no uninsured bank deposit balances.

**NOTE C – CAPITAL ASSETS**

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

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance at June 30, 2014</u>
Capital assets depreciated:				
Furniture, fixtures and equipment	\$ 8,641	\$ -	\$ -	\$ 8,641
Computer software	218,151	-	-	218,151
Total assets at historical cost	<u>226,792</u>	<u>-</u>	<u>-</u>	<u>226,792</u>
Less Accumulated depreciation:				
Furniture, fixtures and equipment	8,641	-	-	8,641
Computer software	169,155	24,498	-	193,653
Total accumulated depreciation	<u>177,796</u>	<u>24,498</u>	<u>-</u>	<u>202,294</u>
Total governmental activities				
Capital assets, net	<u>\$ 48,996</u>	<u>\$ 24,498</u>	<u>\$ -</u>	<u>\$ 24,498</u>

**STELLAR LEADERSHIP ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of**  
**Miami-Dade County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE C – CAPITAL ASSETS (continued)**

Depreciation expense of \$24,498 was charged to the basic instruction function for the year ended June 30, 2014.

**NOTE D - COMMITMENTS AND CONTINGENCIES**

The Academy leased property during the year for its administrative and classroom space under a non-cancelable operating lease. The Academy also leased office equipment under a non-cancelable operating lease as well. Rental expenses for the year ended June 30, 2014 were approximately \$307,000.

Future minimum lease payments required under the lease are approximately as follows:

June 30:		
	2015	\$ 300,257
	2016	<u>297,105</u>
	Total	\$ 597,362

**NOTE E – MANAGEMENT AGREEMENT**

The Academy currently utilizes a management company that provides a range of services that includes, but is not limited to, hiring of personnel, contract negotiations, interaction with the District and setting up vendor arrangements. The management company receives 10% of revenues that are not restricted to a specific purpose. Total management fees paid for the year ended June 30, 2014 was \$144,556.

**NOTE F - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Academy purchases commercial insurance for all material risks of loss to which the Academy is exposed, including general liability, property and workers compensation.

**NOTE G – DATE OF MANAGEMENT'S REVIEW**

Management has evaluated subsequent events through August 28, 2014, which is the date the financial statements became available to be issued.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**Stellar Leadership Academy Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Miami-Dade County, Florida**

**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2014**  
**(Unaudited)**

	General fund			Variance with final budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Federal passed through local school district	\$ -	\$ -	-	\$ -
State passed through local school district	2,713,500	1,749,709	1,568,736	(180,973)
Other revenue	23,000	23,000	58,644	35,644
<b>Total revenues</b>	<b>2,736,500</b>	<b>1,772,709</b>	<b>1,627,380</b>	<b>(145,329)</b>
<b>Expenditures</b>				
Basic instruction	933,500	527,680	640,388	112,708
Instruction & curriculum development	-	-	-	-
Instructional staff training	500	500	108	(392)
Instruction related technology	38,000	59,000	40,260	(18,740)
Board	19,800	12,800	34,580	21,780
General administration	242,200	288,100	218,021	(70,079)
School administration	228,000	136,547	148,617	12,070
Facilities acquisition and construction	297,100	140,091	143,942	3,851
Pupil personnel services	53,400	119,592	142,497	22,905
Pupil transportation services	89,000	42,000	60,440	18,440
Operation of plant	265,500	187,200	218,842	31,642
Maintenance of plant	4,800	4,800	1,095	(3,705)
Fiscal services	29,400	42,300	44,265	1,965
<b>Total expenditures</b>	<b>2,201,200</b>	<b>1,560,610</b>	<b>1,693,055</b>	<b>132,445</b>
<b>Excess (Deficiency) of Revenues over expenditures</b>	<b>535,300</b>	<b>212,099</b>	<b>(65,675)</b>	<b>(277,774)</b>
<b>Other financing uses</b>				
Repayment of debt	-	(25,000)	(24,998)	2
<b>Net changes in fund balance</b>	<b>535,300</b>	<b>187,099</b>	<b>(90,673)</b>	<b>(277,772)</b>
<b>Fund Balance, July 1, 2013</b>	<b>249,635</b>	<b>249,635</b>	<b>249,635</b>	<b>-</b>
<b>Fund Balance, June 30, 2014</b>	<b>\$ 784,935</b>	<b>\$ 436,734</b>	<b>\$ 158,962</b>	<b>\$ (277,772)</b>

The accompanying notes are an integral part of these basic financial statements.





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- Florida Institute of CPAs

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### **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 Members of  
Stellar Leadership Academy, Inc.  
*A Charter School and Component Unit of the  
Miami-Dade County District School Board, Florida*  
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Stellar Leadership Academy, Inc., (the "Academy", a nonprofit organization), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Stellar Leadership Academy, Inc.'s basic financial statements and have issued our report thereon dated August 28, 2014.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



August 28, 2014  
Hollywood, Florida



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### **Management Letter as Required by the Rules of the Florida Auditor General, Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of Stellar Leadership Academy, Inc., Florida,  
a Charter School and Component Unit of the District School Board  
of Miami-Dade County, Florida

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

We have audited the financial statements of the Stellar Leadership Academy, Inc., Florida, as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated August 28, 2014.

#### **Auditor's Responsibility**

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

#### **Other Reporting Required by *Government Auditing Standards***

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated August 28, 2014, should be considered in conjunction with this management letter.

#### **Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

#### **Financial Condition**

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the Stellar Leadership Academy, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of

the specific condition(s) met. In connection with our audit, we determined that the Stellar Leadership Academy, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the Stellar Leadership Academy, Inc. It is management's responsibility to monitor the Stellar Leadership Academy, 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.

### **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the Stellar Leadership Academy, 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 the Stellar Leadership Academy, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

### **Other Matters**

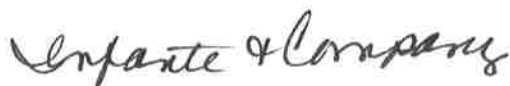
Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have one recommendation noted as 2014-1. During the school year, there were numerous checks signed by only one individual when the check amounts exceeded the threshold set by Stellar Leadership Academy, Inc. which would require dual signature. Management should implement a procedure whereby the person who distributes checks reviews them for dual signatures.

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

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Stellar Leadership Academy, Inc.

### **Purpose of this Letter**

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



Infante & Company  
August 28, 2014



## ***Stellar Leadership Academy***

**A Miami-Dade County Public Charter High School**

August 29, 2014

To the School District Board of Miami-Dade County,

The following is our response to the management letter dated August 28, 2014, and each response is numbered consistently with the numbers assigned in the management letter:

2014-1 Lack of dual signatures on certain checks.

For fiscal year ended June 30, 2014, we had a sudden departure of 2 of the 3 members of the board which left us with only one bank account signer. We are actively searching for additional board members to bring the count up to 5 to 7 board members and alleviate this issue in the future.

Dannie McMillon  
Chair, Board of Directors  
Stellar Leadership Academy, Inc.