

# **MIAMI ARTS, INC.**

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

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS**

**FISCAL YEAR ENDED JUNE 30, 2014**

**MIAMI ARTS, INC**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Miami Arts, Inc. (the "School"), we offer readers of our annual financial report, this Management's Discussion and Analysis (MD&A) of the financial activities for the fiscal year ended June 30, 2014.

This narrative overview should not be taken as a replacement for the audit, which consists of the financial statements and supplementary information. This MD&A intends to furnish additional detail to support the purpose of the financial statements themselves.

### **FINANCIAL HIGHLIGHTS**

Our financial statements provide these insights into the results of this year's operations.

- The net position of the School exceeded its liabilities at June 30, 2014 by \$169,111, of which \$28,228 was unrestricted.
- For the year ended June 30, 2014, the School's revenues exceeded expenses by \$94,094. This is an improvement from the prior year when expenses exceeded revenues by \$56,479.
- A prior year utility deposit and accrued interest for a total of \$28,765 was recognized as security deposit. Previously, the deposit was charged to expense.
- Overall, the School's revenues increased to \$4,405,123, or 8% over the prior year amount of \$4,086,042. The increase in revenues was primarily due to an increase in the per student funding provided by the Florida Education Finance Program ("FEFP"), and an increase in full-time equivalent (FTE).
- Overall, the School's expenses increased to \$4,322,896 or 4% over the prior year amount of \$4,142,521. This increase in expenses is primarily due to increase in certain expenditures for functions such instruction and pupil personnel services.

### **USING THIS ANNUAL REPORT**

**This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements and the notes thereto, and required supplementary information.**

**The basic financial statements include two kinds of statements that present different views of the School: (1) the first two statements are *government-wide financial statements* that provide both noncurrent and short-term information about the School's overall financial status; and, (2) the remaining statements are *fund financial statements***

that focuses on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.

The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

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

This document also includes the independent auditor's report on compliance and internal control required by *Government auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

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

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

The *statement of net position* presents information on all of the School's assets and liabilities, 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. To assess too the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base.

The *statement of activities* presents information showing how the School's position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and services rendered but unpaid).

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

- 1) *Governmental activities* that are principally supported by grants and entitlements from the State for full-time equivalent funding. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities. The governmental activities of the School primarily include instructional and support services.
- 2) *Business-type activities* that in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The school does not have any *business-type activities*

- 3) *Component units* – there currently are no component units included within the reporting entity of the School.

The government-wide financial statements can be found on pages 12 and 13 of the report.

### **Fund Financial Statements**

The *fund financial statements* provide more detailed information about the School's most significant funds, not the School as a whole. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*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 inflow and outflow 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 a School's near-term financing 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 balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities* (see pages 15 and 17).

The School has the following **types of funds**:

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

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

The school adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 14 and 16 of this report.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The note to the financial statements can be found on pages 18 through 29 of this report.

### Other Information

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning budgetary information for the School's general fund. Required supplementary information can be found on pages 30 and 31 of this report.

Our auditor has provided reasonable assurance in their independent auditors' report, located immediately after this MD&A, that the Special Purpose Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Supplementary Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts listed in the table of contents.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the school's fifth year of operation. The school's net position was \$169,111 at June 30, 2014. Of this amount, \$28,228 was unrestricted.

#### Net Position

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

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Current and other assets	\$ 688,206	\$ 392,431	\$ 295,775
Capital assets, net	<u>240,883</u>	<u>322,054</u>	<u>(81,171)</u>
Total assets	<u>929,089</u>	<u>714,485</u>	<u>(214,604)</u>
Current and other liabilities	659,978	548,231	111,747
Noncurrent Liability – Related Party	<u>100,000</u>	<u>120,000</u>	<u>(20,000)</u>
Total liabilities	<u>759,978</u>	<u>668,231</u>	<u>91,747</u>
Net position:			
Net investment in capital assets	140,883	202,054	(61,171)
Unrestricted (deficit)	<u>28,228</u>	<u>(155,800)</u>	<u>184,028</u>
Total net position	<u>\$ 169,111</u>	<u>\$ 46,254</u>	<u>\$ 122,857</u>

At June 30, 2014, the School's total assets were \$929,089 and total liabilities were \$759,978. The School's assets net increased is primarily a result of: a year change in net position of \$94,094; recognition of a previous year utility deposit previously charged to expense for \$28,745 including accrued interest; recognition of unpaid \$94,490 increase in security for lease of the School; and the decrease in net capital assets as the result of depreciation and amortization expense. The liabilities increased primarily as result of the \$94,490 increase in the lease security deposit due.

The School's net position totaled \$169,111, which is comprised of \$140,883 that represents the School's net investment in capital assets (leasehold improvements, furniture, fixtures and equipment), and the unrestricted balance of \$28,228.

### Change in Net Position

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

	<u>Governmental Activities</u>		Amount Increase (Decrease)	% Change
Revenues:	<u>2014</u>	<u>2013</u>		
State and local sources	\$4,405,123	\$4,074,173	330,950	8%
Contribution and other revenue	<u>11,867</u>	<u>11,869</u>	<u>(2)</u>	0%
Total revenues	<u>4,416,990</u>	<u>4,086,042</u>	<u>330,948</u>	8%
Expenses:				
Instruction and instruction related services	1,949,192	1,732,610	216,582	13%
Pupil personnel services	289,782	202,450	87,332	43%
Board	12,000	6,500	5,500	85%
General administration	28,271	50,783	(22,512)	(44%)
School administration	460,038	516,590	(56,552)	(11%)
Facilities acquisition	895,000	890,893	4,107	0%
Fiscal services	77,961	78,845	(884)	(1%)
Food services	18,085	7,340	10,745	146%
Central services	46,924	47,810	(886)	(2%)
Pupil transportation	3,340	2,355	985	42%
Operation plant	333,316	333,879	(563)	0%
Maintenance of plant	64,304	106,063	(41,759)	(39%)
Instructional related	53,873	50,402	3,471	7%
Unallocated depreciation and amortization expense	<u>90,810</u>	<u>116,001</u>	<u>(25,191)</u>	(22%)
Total expenses	<u>4,322,896</u>	<u>4,142,521</u>	<u>180,375</u>	4%
Change in net position	<u>94,094</u>	<u>(56,479)</u>	<u>150,573</u>	

The increase in expenses for instruction and instruction related services and pupil personnel services activities were due to an increase in personnel due to an increase of student enrollment of 6%. The decrease in the depreciation expense resulted from certain assets being fully depreciated for fiscal 2013.

### **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial information is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balance (see pages 14 and 16).

As the School completed the year, its governmental funds reported a combined fund balance of \$28,228, which was an increase of \$184,028 from that of the prior year. The increase in the governmental fund net position was mainly the result of a change in net position for the year of \$94,094.

### **General Fund Budgetary Highlights**

Over the course of the year, the School did not significantly revise the operating budget. Budget amendments, if necessary, generally fall into two categories:

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

For the year ended June 30, 2014, actual general fund revenues was \$71,265 over the final budgeted amounts, which represents a 2% budget variance. This variance is primarily due to additional FEFP funding that was not included with the original budget. Actual general fund expenditures were \$107,747 over the final budgeted amounts primarily due to expenditures for instruction, general, and school administrative expenses that were not anticipated when finalizing the budget. In total the final budget variance with regards to general fund expenditures was 2.8%.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

As of June 30, 2014, the School has invested \$747,874 in a broad range of capital assets, including leasehold improvements and furniture, fixtures and equipment (see table next page).

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Leasehold improvements	\$ 219,102	\$ 214,822	\$ 4,280
Furniture, fixtures, equipment, others	<u>497,389</u>	<u>492,030</u>	<u>5,359</u>
Total capital asset	\$ <u>716,491</u>	<u>706,852</u>	<u>9,639</u>

This year's major capital asset additions were the following:

- Theater stage and other leasehold improvements \$4,279
- Computer and a music stand \$5,359

There were no capital asset disposals in the current year. The School's fiscal year 2015 capital budget does not include significant spending for capital assets at the Biscayne facility. More detailed information about the School's capital assets is presented in Note 2 to the financial statements (see page 25).

### **Noncurrent Liability**

At year-end, the balance on the noncurrent liability, which is comprised of a note payable to the School's management company, was \$100,000. During the year, the School made principal payments of \$20,000 to reduce the outstanding balance on the note. In prior years, the School used the proceeds of the note payable to renovate its leased school facility and to purchase furniture, technology, instruments, and other equipment to begin School operations. More detailed information about the School's noncurrent liability is presented in Note 4 to the financial statements (see page 26).

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

As a Charter School, the School receives most of its funding from FEFP, which are primarily State funds. The State of Florida, by constitution, does not have a state personal income tax and therefore, the state operates primarily using sales, gasoline and corporate income taxes. Despite a slow economic recovery and continued funding challenges, the School, through its prudent fiscal management, maintains a healthy financial position to provide the quality rigorous college-preparatory academic curriculum and conservatory style training in the visual and performing arts deserved by every child attending the School. Also, for the fiscal year 2014-2015, the School is opening a new school center in Homestead, Florida. These factors were considered in preparing the School's budget for fiscal 2014-2015.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the School's administration offices at Miami Arts, Inc., 3900 Biscayne Boulevard, Miami, Florida 33137.

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**MEMBERS**

American Institute of Certified Public Accountants  
Florida Institute of Certified Public Accountants

**REPORT OF INDEPENDENT AUDITORS  
ON THE BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Miami Arts, Inc.  
Miami, Florida

***Report on the Financial Statements***

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express 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 risk 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, the major fund and the aggregate remaining fund balance of Miami Arts, Inc. as of June 30, 2014, and the respective changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules on page 1 through 9, and 31, and 32, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing that 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 15, 2014, on our consideration of Miami Arts, 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 Miami Arts, Inc.'s internal control over financial reporting and compliance.

*Alvarez & Fernandez P.A. CPAs*

Miami, Florida  
August 15<sup>th</sup>, 2014

**MIAMI ARTS, 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>	
Cash (see note 2)	\$ 213,356
Prepaid expenses and other receivable	46,794
Inventory of books for students use	31,383
Deposit - utility security (see note 10)	29,485
Security obligation under lease (see note 7)	367,188
<b>Current Assets</b>	<u>688,206</u>
Capital Assets:	
Leasehold improvements	219,102
Furniture, fixtures and equipment	497,389
	<u>716,491</u>
Less accumulated depreciation and amortization	<u>(475,608)</u>
<b>Total capital assets, net (see note 3)</b>	<u>240,883</u>
<b>TOTAL ASSETS</b>	<u><u>929,089</u></u>
<b>LIABILITIES</b>	
Accounts payable	50,796
Salaries payable and accrued expenses	241,994
Obligation under lease (see note 7)	367,188
<b>Total Current Liabilities</b>	<u>659,978</u>
Long-term liability:	
Note payable - related Party (see note 5)	<u>100,000</u>
<b>Total liabilities</b>	<u>759,978</u>
<b>NET POSITION</b>	
Net investment in capital assets (see note 2)	140,883
Unrestricted (see note 2)	28,228
<b>Total Net Position</b>	<u>169,111</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>929,089</u></u>

See accompanying notes and independent auditor's report

**MIAMI ARTS, 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**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
<b>Governmental activities:</b>					
Instruction and instruction-related services	Expenses				
Pupil personnel services	\$ 1,949,192	\$ -	\$ -	\$ (1,949,192)	\$ (1,949,192)
Board	289,782	-	-	(289,782)	(289,782)
General administration (see note 1)	12,000	-	-	(12,000)	(12,000)
School administration	28,271	-	-	(28,271)	(28,271)
Facilities acquisition and construction	460,038	-	-	(460,038)	(460,038)
Fiscal services	895,000	-	354,078	(540,922)	(540,922)
Food services	77,961	-	-	(77,961)	(77,961)
Central services	18,085	-	-	(18,085)	(18,085)
Pupil transportation	46,924	-	-	(46,924)	(46,924)
Operation of plant	3,340	-	-	(3,340)	(3,340)
Maintenance of plant	333,316	-	-	(333,316)	(333,316)
Instructional related technology	64,304	-	-	(64,304)	(64,304)
Unallocated depreciation and amortization expense	53,873	-	-	(53,873)	(53,873)
	90,810	-	-	(90,810)	(90,810)
Total governmental activities	<u>4,322,896</u>	<u>-</u>	<u>354,078</u>	<u>(3,968,818)</u>	<u>(3,968,818)</u>
	General revenues:				
	State and Local sources				
	Contributions and other revenue				
	Total general revenues				
	Change in net position				
	Net position at beginning of year				
	Prior year utility security deposit (see Note 10)				
	Net position at end of year				
	\$ 169,111				

MIAMI ARTS, 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
<b>ASSETS</b>	
Cash	\$ 213,356
Prepaid expenses and other receivable	46,794
Inventory of books for students use	31,383
Deposit - utility security (see note 10)	29,485
Security obligation under lease (see note 7)	<u>367,188</u>
<b>TOTAL ASSETS</b>	<u><u>688,206</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable	50,796
Salaries payable and accrued expenses	241,994
Obligation under lease	<u>367,188</u>
<b>TOTAL LIABILITIES</b>	<u>659,978</u>
<b>FUND BALANCE (see note 2)</b>	
Nonspendable	46,794
Unassigned	<u>(18,566)</u>
<b>TOTAL FUND BALANCE</b>	<u>28,228</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>688,206</u></u>

See accompanying notes and independent auditor's report

**MIAMI ARTS, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2014**

<b>Total fund balance governmental fund</b>	<b>\$ 28,228</b>
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Amounts reported for governmental activities in the statement of net position are different because:

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

The cost of capital assets is:	\$ 716,491	
Related accumulated depreciation is:	<u>(475,608)</u>	
Total capital assets, net (see note 3)		240,883

The noncurrent liability is not due and payable in the current period and, therefore, is not reported as a liability in the governmental fund. The noncurrent liability at year-end consisted of:

Note payable - related Party: (see note 5)	<u>(100,000)</u>
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<b>Total net position - governmental activities</b>	<b>\$ <u>169,111</u></b>
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See accompanying notes and independent auditor's report

**MIAMI ARTS, 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 BALANCE - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2014**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	GAAP Actual
<b>REVENUES</b>			
State and local sources (see note 4)	\$ 4,051,045	354,078	4,405,123
Contributions and other revenue	<u>11,867</u>	<u>-</u>	<u>11,867</u>
Total Revenues	<u>4,062,912</u>	<u>354,078</u>	<u>4,416,990</u>
<b>EXPENDITURES</b>			
Current:			
Instruction and instruction-related services	1,949,192	-	1,949,192
Pupil personnel services	289,782	-	289,782
Instruction and curriculum development	0	-	0
Board	12,000	-	12,000
General administration	28,271	-	28,271
School administration	460,038	-	460,038
Facilities acquisition and construction	540,922	354,078	895,000
Fiscal services	77,961	-	77,961
Food services	18,085	-	18,085
Central services	46,924	-	46,924
Pupil transportation	3,340	-	3,340
Operation of plant	333,316	-	333,316
Maintenance of plant	64,304	-	64,304
Instructional related technology	53,873	-	53,873
Capital outlay	9,639	-	9,639
Redemption of noncurrent debt	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenditures	<u>3,907,647</u>	<u>354,078</u>	<u>4,261,725</u>
Net changes in fund balance	155,265	-	155,265
Fund balance at beginning of year	(155,800)	-	(155,800)
Prior year utility security deposit (see Note 10)	<u>28,763</u>	<u>-</u>	<u>28,763</u>
Fund balance at end of year	<u>\$ 28,228</u>	<u>-</u>	<u>28,228</u>

See accompanying notes and independent auditor's report

MIAMI ARTS, 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 BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Net changes in fund balances - total governmental funds	\$ 155,265
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report repayment of noncurrent debt and capital outlays as expenditures. In the statement of activities, the cost of capital acquisitions are allocated over their estimated useful lives and reported as depreciation expenses. In addition, repayments of noncurrent debt are applied to reduce to noncurrent debt reflected.

The amount by which capital outlays and repayment of noncurrent debt exceeds depreciation and amortization expenses is calculated as follows:

Capital outlays	\$	9,639	
Repayment of noncurrent debt		20,000	
Depreciation expense (see note 3)		<u>(90,810)</u>	
			<u>(61,171)</u>

Change in net position of governmental activities	<u>94,094</u>
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See accompanying notes and independent auditor's report

**MIAMI ARTS, INC.**  
**A CHARTER SCHOOL AND COMPONENT OF**  
**THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**

**NOTE 1- ORGANIZATION AND REPORTING ENTITY**

Miami Arts, Inc. (the "School") is a non-for-profit corporation organized on July 2008, pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not for profit corporation Board of Directors, which is comprised of not less than three members. The School began operations in fiscal 2010.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Miami-Dade County, Florida ("District"). The current charter is effective until June 30, 2024, and may be renewed by mutual written agreement between the School and the School District. The School is considered a component unit of the District and meets the definition of a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Recent accounting pronouncements

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

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

### Basis of presentation

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

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets and liabilities (see page 12). All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (see page 13).

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

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

The fund financial statements provide report detailed information about the School in the governmental funds. The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures, and other financing sources and uses (see page 14). Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The focus of governmental fund financial statements is on major funds

rather than reporting funds by type. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, reconciliation is presented with each of the governmental fund financial statements (see page 15).

The School's governmental funds in the financial statements of this report are as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes (see page 31).
- Special Revenue Fund – to account for the proceeds of specific revenue sources, such as Federal grants and capital outlay grants that are restricted by law or administrative action to expenditure for specific purposes (see page 31).

For purposes of these statements, the general fund constitutes a major fund. The special revenue fund and capital outlay fund are considered non-major and are presented as the other governmental funds.

#### Basis of accounting

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

The government-wide financial statements are prepared using the accrual basis of accounting. Revenue from programs is recognized in the period in which they are earned, and expenses are recognized in the period in which the related liabilities are incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become 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. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general noncurrent debt is recognized when due, and (2) expenditures related to liabilities reported as general noncurrent debt are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

### Management use of estimates

The presentation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the statement of net position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

### Budgetary basis accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration).

### Cash

The School's cash consists of demand deposits with financial institutions. All amounts are fully insured within the Federal Deposit Insurance Corporation limits up to \$250,000.

### Capital assets, depreciation and amortization

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation and amortization, in the government-wide financial statement of net position (see page 12) but are not reported in the governmental fund financial statements (see page 14). For purposes of recording capital assets, the School has a capitalization threshold of \$1,000. The School considers all capital assets to be shared by all functions; therefore depreciation and amortization expense is not directly allocated but is presented in the statement of activities as unallocated depreciation and amortization expense (see page 14). Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which is generally four years or the remaining lease term for leasehold improvements, and four to ten years for furniture, fixtures, and equipment.

Additional information relative to changes in capital assets is described in Note 4 (see page 25).

### Income Taxes

The School is an organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, for the year ended June 30, 2014, no provision for income taxes has been included in the accompanying financial statements.

In its final determination letter, the Internal Revenue Service (IRS) established the effective date of exemption as July 19, 2012. The School has filed all its previous tax returns as a non for profit organization, filing Form 990, for the fiscal years ended June 30 of 2010, 2011, 2012, and 2013.

Since the School was not recognized as a tax exempt organization by the IRS previously to the effective date of exemption, July 19, 2012, it may have to file its tax return as a C corporation for the fiscal years ended on June 30 2010, 2011, and 2012. Management believes that any future tax liabilities, which may result from having those tax returns filed as a C corporation will not be material to the financial statements taken as a whole, as the School has tax net operating losses, which are available to offset any taxable income through fiscal year ended June 30, 2012. Accordingly, no provision for income taxes has been included in the accompanying financial statements, as a contingency, for previous fiscal years.

### Noncurrent liability

Noncurrent obligations that will be financed by resources to be received in the future by the General Fund are reported in the government-wide financial statements, not in the General Fund. Changes in the noncurrent liability for the current year are reported in Note 4 (see page 26).

### Revenue sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's Charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education ("FDOE") by the state legislature (see note 8). In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and the related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the FDOE for funding through the Florida Education Finance Program ("FEFP"). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent (FTE) students reported by the

School during the designated full-time equivalent student survey periods. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments, if any, are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62, Florida Statutes is the product of the (1) un-weighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in section 1011.62(1)(e)2., Florida Statute. For the fiscal year ended June 30, 2014, the School reported approximately 702.00 un-weighted FTE and approximately 706.62 weighted FTE.

The School may receive federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The District receives an administrative fee from the School, which is reflected as a general administration expenses/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. This administrative fee is calculated on the FEFP revenue up to 250 students. The difference between the actual fee and the fee as calculated on total FEFP for fiscal 2014 was \$28,271 and was expended for capital outlay expenditures as required.

### Net Position and Fund Balance Classifications

#### *Government-wide financial statements*

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

1. Net investment in capital assets – consists of capital assets net of accumulated depreciation and amortization, and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvements of those assets (see page 12).
2. Restricted net position – consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributions or laws or regulations of other governments. Management believes there are no restrictions on net position.
3. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets” (see page 12).

### *Fund Financial Statements*

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

1. Non spendable – fund balance associated with inventories, prepaid expenses, long term loans and notes receivable, and property held for sale (unless the proceeds are restricted, committed or assigned). All non spendable fund balances at year end relate to assets that are in non spendable form (see page 14).
2. Restricted – fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At June 30, 2014, the School did not have any restricted fund balances.
3. Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School's Board of Governance. At June 30, 2014, the School did not have any committed fund balances.
4. Assigned – fund balance that is intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. At June 30, 2014, the School did not have assigned fund balances.
5. Unassigned – fund balance classification that is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications (see page 14).

### Fund balance spending policy

The School adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, and then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board. The Board has delegated authority to the Principal to assign funds up to the amount of \$50,000. There are no minimum fund balance requirements for any of the School's funds.

### Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has no items that meet this criterion.

### **NOTE – 3 CHANGES IN CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Leasehold improvements	\$ 214,822	4,280	-	219,102
Furniture, fixtures and equipment	<u>492,030</u>	<u>5,359</u>	<u>-</u>	<u>497,389</u>
Total capital assets at historical cost	<u>706,852</u>	<u>9,639</u>	<u>-</u>	<u>716,491</u>
Less accumulated depreciation and amortization for:				
Leasehold improvements	(183,856)	(32,031)	-	(215,887)
Furniture, fixtures and equipment	<u>(200,942)</u>	<u>(58,779)</u>	<u>-</u>	<u>(259,721)</u>
Total accumulated depreciation and amortization	<u>(384,798)</u>	<u>(90,810)</u>	<u>-</u>	<u>(475,608)</u>
Governmental activities capital assets, net	\$ <u>322,054</u>	<u>(81,171)</u>	<u>-</u>	<u>240,883</u>

Depreciation and amortization expense is not charged by function, but is included in the statement of activities as unallocated depreciation and amortization expense. Total unallocated depreciation and amortization expense was \$90,810 for the year ended June 30, 2014.

#### **NOTE – 4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

The following is a schedule of state and local revenue sources for the year ended June 30, 2014:

##### **State and Local Sources**

District School Board of Miami-Dade County, Florida:

Florida Education Finance Program	\$ 2,581,684
Class size reduction	644,355
Capital outlay	354,078
Supplemental academic instruction	306,010
State fiscal stabilization funds	391,958
ESE guaranteed allocation	52,692
Instructional and science lab materials	54,498
Safe schools	19,848
Total	<u>\$ 4,405,123</u>

#### **NOTE – 5 NONCURRENT LIABILITY (NOTE PAYABLE – RELATED PARTY)**

The noncurrent liability consists of a note payable to New Way Schools, Inc. (“NWS”), a Florida corporation. NWS is a related party, as the Director and Founder of the School is also the President of NWS. The note payable is secured by certain capital assets owned by the School. During 2010, the School used this debt for the renovation of its leased school facility, and also to make purchases of certain furniture, fixtures and equipment necessary for the commencement of the School’s operations. The original terms of the note include scheduled monthly principal only payments of \$7,267, beginning in May 2009 with the remaining principal balance due in or before April 2014. There is no stated rate of interest. In order to assist the School with cash flow needs, NWS allows the School from time-to-time to defer the scheduled principal payments on the note payable. See Note 8 (see page 28), for additional information and transactions pertaining to NWS.

Activity during the fiscal year ending June 30, 2014 was as follows:

Balance outstanding at beginning of year	\$ 120,000
Additions	-
Reductions	<u>( 20,000)</u>
Balance outstanding at end of year	<u>\$ 100,000</u>

Future scheduled payments related to the noncurrent liability are as follows:  
as management prudently manage if finances, as of June 30, 2014 management has decided to defer for a minimum of a year any payment of its noncurrent liability as the intention of management is to make payments subject to availability of cash while at the same time maintaining a minimum reserve of one month of payroll obligations.

#### **NOTE 6 - RISK MANAGEMENT PROGRAM**

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

#### **NOTE - 7 COMMITMENTS AND CONTIGENT LIABILITIES**

The School receives a majority of its funding from the School District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

#### **Legal matters**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of Management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

## Lease commitments

The School leased its school facility under a non cancelable five-year operating lease, through July 31, 2014. That lease requires the School to pay insurance and other costs. The lease was amended on January 30<sup>th</sup>, 2014 and renewed for an additional year through July 31, 2015, at which time the lease term shall automatically convert to month-to-month tenancy. Aggregate remaining minimum rental commitments as of June 30, 2014 under this lease are summarized as follows:

Year ending June 30,	Amount
2015	\$ 986,666
2016	<u>82,917</u>
Total	<u>\$1,069,583</u>

Rental expense/expenditure for the year ended June 30, 2014 was \$895,090, and is reflected under the functional category facilities acquisition and construction.

In addition to the future minimum lease payments above, the lease agreement also requires monthly payments in the amount of \$7,813 beginning on August 1, 2010 and continuing through July 1, 2014, which sums shall be retained by the lessor as security for the payment of rent by the School. As of June 30, 2014, the accumulated security deposit due of \$376,188 had not been paid and has been recorded as a liability in the accompanying financial statements.

In connection with the operating lease above, the School entered into a credit enhancement agreement with Charter Schools Development Corporation to provide a standby letter of credit to the landlord in the amount of \$375,000 as collateral security for the School's obligations pursuant to the lease. The credit enhancement agreement is guaranteed by the NWS. As a condition to the extension of the lease to July 31, the School shall cause the credit agreement to be extended through and including thirty days following the termination of the lease and the School's vacating the premises.

## NOTE -8 RELATED PARTY TRANSACTIONS

### New Way Schools, Inc

The school has a management agreement with NWS, which is the related party and holder of the note payable described in Note 4. The management agreement is for NWS to provide certain educational and management services to the School. The Agreement calls for the School to pay NWS a management fee of 12% of the School's gross receipts, excluding any proceeds from borrowings untaken by the School. In fiscal year 2014, the management fees were all waived.

The School pays an administration fee to the School District of Miami-Dade County. During the year ended June 30, 2014, such administration fees totaled \$28,271, and are reflected as a general administration expenses/expenditure in the accompanying statement of activities and revenues, expenditures and changes in fund balances – governmental funds (see page 13).

#### **NOTE 9 – FUNDING AND CREDIT CONCENTRATIONS**

The school receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies (see note 1, Revenue Sources, page 22).

#### **NOTE 10 – DEPOSIT: UTILITY**

A prior year utility deposit and accrued interest for a total of \$28,765 was recognized as security deposit. Previously, the deposit was charged to expense.

#### **NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there is no significant event to disclose.

The school has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through August 15th, 2014, which is the date the financial statements were available to be issue

**MIAMI ARTS, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted <u>Original</u>	Budgeted <u>Final</u>	GAAP <u>Actual</u>	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
State and local sources	\$ 3,979,780	3,979,780	4,051,045	71,265
Contributions and other revenue	<u>9,000</u>	<u>9,000</u>	<u>11,867</u>	<u>2,867</u>
Total Revenues	<u>3,988,780</u>	<u>3,988,780</u>	<u>4,062,912</u>	<u>74,132</u>
<b>EXPENDITURES</b>				
Current:				
Instruction and instruction-related services	1,747,912	1,747,912	1,949,192	(201,280)
Pupil personnel services	279,686	279,686	289,782	(10,096)
Instruction and curriculum development	5,200	5,200	0	5,200
Board	12,600	12,600	12,000	600
General administration	28,430	28,430	28,271	159
School administration	424,192	424,192	460,038	(35,846)
Facilities acquisition and construction	695,000	695,000	540,922	154,078
Fiscal services	50,868	50,868	77,961	(27,093)
Food services	27,000	27,000	18,085	8,915
Central services	37,694	37,694	46,924	(9,230)
Pupil transportation	0	0	3,340	(3,340)
Operation of plant	305,547	305,547	333,316	(27,769)
Maintenance of plant	0	0	64,304	(64,304)
Instructional related technology	65,771	65,771	53,873	11,898
Capital outlay	0	0	9,639	(9,639)
Redemption of noncurrent debt	<u>120,000</u>	<u>120,000</u>	<u>20,000</u>	<u>100,000</u>
Total expenditures	<u>3,799,900</u>	<u>3,799,900</u>	<u>3,907,647</u>	<u>(107,747)</u>
Net changes in fund balance	<u>188,880</u>	<u>188,880</u>	<u>155,265</u>	<u>(33,615)</u>
Fund balance at beginning of year			(155,800)	
Prior year utility security deposit (see Note 10)			<u>28,763</u>	
Fund balance at end of year			<u>28,228</u>	

See accompanying notes and independent auditor's report

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>GAAP Actual</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
State and local sources	<u>\$200,000</u>	<u>200,000</u>	<u>354,078</u>	<u>154,078</u>
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>354,078</u>	<u>154,078</u>
<b>EXPENDITURES</b>				
Current:				
Facilities acquisition and construction	<u>200,000</u>	<u>200,000</u>	<u>354,078</u>	<u>(154,078)</u>
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>354,078</u>	<u>(154,078)</u>
Net changes in fund balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance at beginning of year			<u>0</u>	
Fund balance at end of year			<u>0</u>	

**NOTES TO BUDGETARY COMARISON SCHEDULES**

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

See accompanying notes and independent auditor's report

**ALVAREZ & FERNANDEZ, P.A.**  
**Certified Public Accountants**  
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**MEMBERS**

American Institute of Certified Public Accountants  
Florida Institute of Certified Public Accountants

**REPORT OF INDEPENDENT AUDITOR'S 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  
Miami Arts, Inc.  
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 Miami Arts, Inc. (the "School"), a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 15<sup>th</sup>, 2014.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness and significant deficiencies, as defined below.

*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

#### Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 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 School's internal control and compliance or on. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's compliance and internal control. Accordingly, this communication is not suitable for any other purpose.

*Alvarez & Fernandez, P.A. CPAs*

Miami, Florida  
August 15<sup>th</sup>, 2014

**ADDITIONAL INFORMATION REQUIRED BY  
RULES OF THE AUDITOR GENERAL,  
CHAPTER 10.850 AUDITS OF CHARTER SCHOOLS  
AND SIMILAR ENTITIES**

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MEMBERS

American Institute of Certified Public Accountants  
Florida Institute of Certified Public Accountants

To The Board of directors of  
Miami Arts, Inc.  
Miami, Florida

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Miami Arts, Inc. a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2014, and have issued our report thereon dated August 15, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller general of the United States. We have issued our Independent Auditor's 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 that report, which is dated August 15<sup>th</sup>, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

- 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 action was taken to address a recommendation made in the preceding annual financial audit report.

- Section 10.854(1)(e)2. - Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.854(1)(e)3. - Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4. - Rules of the Auditor General, requires that we address noncompliance of 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 name of the entity is Miami Arts, Inc.
- Pursuant to sections 10.854(1)(6).a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is Management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by Management and the review of financial information provided by same.

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

*Alvarez & Fernandez, P.A. CPA's*

Miami, Florida  
August 15th, 2014