

Doral Academy High School
(A charter school under
The Doral Academy, Inc.)
(A Charter School and Component Unit
of the School Board of Miami Dade County, Florida)

Doral, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2013

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Doral Academy High School

W/L #: 7020

11100 NW 27 St.
Doral, FL 33172

2012-2013

BOARD OF DIRECTORS

Angela Ramos, President and Chair
Luis Fuste, Vice Chair and Treasurer
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SCHOOL ADMINISTRATION

Douglas Rodriguez, Principal

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Doral Academy High School (the "School"), a charter school under The Doral Academy, Inc., which is a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2013, which collectively comprises the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Doral Academy High School at June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Doral Academy High School at June 30, 2013, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of The Doral Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of The Doral Academy, Inc. as of June 30, 2013 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 32 through 33 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.

HEB Grauer, CPA

CERTIFIED PUBLIC ACCOUNTANTS

Management's Discussion and Analysis
Doral Academy High School
(A Charter School Under Doral Academy, Inc.)
June 30, 2013

The corporate officers of Doral Academy High School have prepared this narrative overview and analysis of the school's financial activities for the fiscal year ended June 30, 2013.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2013 by \$4,915,264 (net assets).
2. At year-end, the School had current assets on hand of \$1,151,809.
3. The net assets of the School increased by \$77,635 during the year.
4. The unassigned fund balance at year end was \$163,741.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2013 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

The government-wide financial statements can be found on pages 10 - 11 of this report.

Fund Financial Statements

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

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

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

The basic governmental fund financial statements can be found on pages 12 - 16 of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 17 - 31 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a charter school's financial position. In the case of the School, assets exceeded liabilities by \$4,915,264 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2013 and follows:

	2013	2012
Cash and cash equivalents	\$ 796,808	\$ 1,689,523
Due from Agencies	51,872	-
Capital Assets, net	8,383,997	6,287,105
Due from Doral Academy, Inc.	1,529,768	-
Prepaid Expenses	303,129	274,916
Total Assets	<u>\$ 11,065,574</u>	<u>\$ 8,251,544</u>
Accrued salaries & wages	392,345	-
Accounts payable	75,771	311,886
Accrued interest	30,728	-
Due to Other Charter Schools	700,000	-
Current Debt	249,139	-
Retainage payable	216,823	-
Long term debt	4,485,504	3,102,028
Total Liabilities	<u>\$ 6,150,310</u>	<u>\$ 3,413,914</u>
Invested in Capital Assets, net	3,432,531	3,320,089
Restricted	-	427,954
Unrestricted	1,482,733	1,089,586
Total Net Assets	<u>\$ 4,915,264</u>	<u>\$ 4,837,629</u>

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

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2013 and follows:

	<u>2013</u>	<u>2012</u>
REVENUES		
Program Revenues		
Operating Grants	\$ 35,327	\$ 140,216
Capital Outlay Funding	776,058	712,325
Lunch program	253,161	362,543
Charges for Services	1,657,433	1,011,613
General Revenues		
FTE nonspecific revenues	7,292,621	6,328,248
Other Revenue	273,385	4,127
Total Revenues	<u>\$ 10,287,985</u>	<u>\$ 8,559,072</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 5,032,708	\$ 3,998,013
Instructional Staff Training Services	28,387	14,715
Board	60,087	24,500
School Administration	999,110	941,967
Facilities Acquisition	302,869	224,286
Fiscal Services	193,275	175,054
Food Services	477,786	308,703
Central Services	239,694	215,986
Operation of Plant	2,585,777	2,454,931
Maintenance of Plant	283,315	320,645
Pupil Transportation services	7,342	3,166
Total Expenses	<u>10,210,350</u>	<u>8,681,966</u>
Increase in Net Assets	77,635	(122,894)
Net Assets at Beginning of Year	<u>4,837,629</u>	<u>4,960,524</u>
Net Assets at End of Year	<u>\$ 4,915,264</u>	<u>\$ 4,837,630</u>

Student enrollment increased for 2013 by approximately 121 students. As a result, Doral Academy High School's revenues and expenses increased by \$1,728,913 and \$1,528,384, respectively, in the current year.

School Location and Lease of Facility

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

Capital Improvement Requirements

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

School Enrollment

This past year, the School had approximately 1,288 students enrolled in grades nine through twelve.

Accomplishments

In 2013, Doral Academy High School (“Doral High”) successfully completed its twelfth year of operation, and expects to earn a letter grade of “A” for the seventh consecutive year.

For the 6th consecutive year, Doral High was listed as one of the “Best High Schools in America” by *U.S. News & World Report* magazine, as one of the “Top Public High Schools in America” by *Newsweek* magazine, as a “Top High School” by the *Washington Post*, and among the Best Schools in the Nation by *Daily Beast*. Most impressively, Doral Academy High School’s graduation rate of 99% in 2013 far exceeded the state and national average graduation rates, and the graduating class of 2013 combined received over \$2.5 million in financial aid and scholarships.

This past year, Doral High students were recognized for various accomplishments:

- Students competed with some of the country’s top Colleges and Universities in the Bio-Ethics Bowl at Georgetown University, and came in 6th place in the nation.
- 51 students graduated from Doral High earning an AA Degree from Miami-Dade Community College.
- Students took over 1,400 AP Exams combined, with a passing rate that exceeded district and state averages.
- District Championships were won by the Boys Soccer Team, Girls Soccer Team, Softball Team, and Tennis Team.
- The Firebird Singers placed 2nd in the Coral Gables Caroling Competition. In addition, Superior medals were won at the Florida Vocal Association State Competition for Choral Conductors, and 26 Piano students won Superior medals at the Florida Vocal Association District Competition.
- The Girls’ Cross Country Team qualified for State Competition.
- A Doral High student was the District Champion for Wrestling.
- The Swimming team qualified for Regional Competitions.
- The Tennis Team (Girls Double) won the District Championship and qualified to participate in the state competition.
- The TV Production Program placed 2nd, 3rd, and received Honorable Mention in the National Student Television Network Competition.

Doral Academy High School provides its students with a rigorous college preparatory curriculum, through a model academic environment which includes a unique Blended Learning component, as well as strong partnerships with institutions of higher learning such as the new Doral College. Doral High also offers a rich extra-curricular program of activities, including team sports and clubs. Doral recently completed facilities renovations which include an annex with additional classroom facilities, labs, art rooms, a band room, and production rooms to accommodate the growing student population. A state-of-the-art gymnasium is the latest project underway and it is slated to open for the 2013-2014 school year.

Doral Academy High School is fully accredited by AdvancEd under the Southern Association of Colleges and Schools (SACS-CASI division).

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

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

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

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$466,870. The fund balance unassigned and available for spending at the School's discretion is \$163,741. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets as of June 30, 2013 amounts to \$8,383,997 (net of accumulated depreciation). This investment in capital assets includes improvements, furniture, fixtures and computer equipment. As of June 30, 2013, the School had debt totaling \$4,951,466 relating to the School's capital assets and current construction in progress of new building.

Governmental Fund Budget Analysis and Highlights

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

	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Capital Outlay Funding	\$ 625,000	\$ 776,000	\$ 776,058
Federal Sources	30,000	35,300	35,327
Lunch program	300,000	252,000	253,161
Usage fees and lunch fees	1,354,740	1,659,191	1,657,433
General Revenues			
FTE Nonspecific Revenues	6,730,000	7,280,000	7,292,621
Other Revenues	207,000	270,000	273,385
Total Revenues	\$ 9,246,740	\$ 10,272,491	\$ 10,287,985
CURRENT EXPENSES			
Component Unit Activities:			
Instruction	4,680,000	4,805,300	4,798,997
Instructional Staff Training Services	30,000	30,000	28,387
Board	60,000	62,000	60,087
School Administration	900,000	1,000,000	990,905
Fiscal Services	175,000	195,000	193,275
Food Services	400,000	475,000	473,050
Central Services	200,000	245,000	239,694
Pupil Transportation Services		1,500	1,010
Operation of Plant	2,227,621	2,176,000	2,140,437
Maintenance of Plant	280,000	280,000	275,365
Total Current Expenses	\$ 8,952,621	\$ 9,269,800	\$ 9,201,207

Requests for Information

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

Doral Academy High School
(A charter school under Doral Academy, Inc.)
Statement of Net Assets
June 30, 2013

Assets

Current assets:	
Cash and cash equivalents	\$ 796,808
Prepaid expenses	303,129
Due from other government agencies	51,872
	<u>1,151,809</u>
Capital assets, non-depreciable	2,364,513
Capital assets, depreciable	9,427,440
Less: accumulated depreciation	(3,407,956)
	<u>8,383,997</u>
Due from The Doral Academy, Inc., long-term	<u>1,529,768</u>
Total Assets	<u><u>\$ 11,065,574</u></u>

Liabilities and Net assets

Current liabilities:	
Accrued salaries and wages	\$ 392,345
Accounts payable	75,771
Accrued interest	30,728
Retainage payable	216,823
Current portion of long term-debt	249,139
	<u>964,806</u>
Due to other charter schools, long-term	700,000
Long term debt	4,485,504
Total Liabilities	<u>6,150,310</u>
Net assets:	
Invested in capital assets, net of related debt	3,432,531
Unrestricted	1,482,733
Total Net Assets	<u>4,915,264</u>
Total Liabilities and Net Assets	<u><u>\$ 11,065,574</u></u>

See accompanying notes to the basic financial statements

Doral Academy High School
(A charter school under Doral Academy, Inc.)
Statement of Activities
For the year ended June 30, 2013

FUNCTIONS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				-
Instruction	\$ 5,032,708	\$ 967,880	\$ 35,327	\$ -
Instructional staff training	28,387	-	-	(28,387)
Board	60,087	-	-	(60,087)
School administration	999,110	96,000	-	(903,110)
Facilities acquisition	302,869	-	-	(302,869)
Fiscal services	193,275	-	-	(193,275)
Food services	477,786	141,874	253,161	(82,751)
Central services	239,694	7,714	-	(231,980)
Pupil transportation services	7,342	-	-	(7,342)
Operation of plant	2,585,777	443,965	-	776,058
Maintenance of plant	283,315	-	-	(283,315)
Total governmental activities	10,210,350	1,657,433	288,488	776,058
				7,292,621
				273,385
				77,635
				4,837,629
				\$ 4,915,264

See accompanying notes to the basic financial statements

Doral Academy High School
(A charter school under Doral Academy, Inc.)
Balance Sheet - Governmental Funds
June 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 796,808	\$ -	\$ 796,808
Prepaid expenses	303,129	-	303,129
Due from other charter school	-	-	-
Due from fund	51,872	-	51,872
Due from other government agencies	-	51,872	51,872
Total Assets	<u>\$ 1,151,809</u>	<u>\$ 51,872</u>	<u>\$ 1,203,681</u>
<u>Liabilities</u>			
Salaries and wages payable	\$ 392,345	\$ -	\$ 392,345
Accounts payable	75,771	-	75,771
Retainage payable	216,823	-	216,823
Due to fund	-	51,872	51,872
Total Liabilities	<u>684,939</u>	<u>51,872</u>	<u>736,811</u>
<u>Fund Balance</u>			
Nonspendable, not in spendable form	303,129	-	303,129
Unassigned	163,741	-	163,741
	<u>466,870</u>	<u>-</u>	<u>466,870</u>
Total Liabilities and Fund Balance	<u>\$ 1,151,809</u>	<u>\$ 51,872</u>	<u>\$ 1,203,681</u>

See accompanying notes to the basic financial statements

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets
For the year ended June 30, 2013

Total Fund Balance - Governmental Funds \$ 466,870

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

Capital assets of \$11,791,953 net of accumulated depreciation of \$3,407,955 used in governmental activities are not financial resources and therefore are not reported in the fund. 8,383,997

Long term receivables from related party in governmental activities are not financial resources and therefore are not reported in the governmental funds. 1,529,768

Long term liability which is not due and payable in the current period and, therefore, is not reported in the governmental funds. (5,465,371)

Total Net Assets - Governmental Activities \$ 4,915,264

See accompanying notes to the basic financial statements

Doral Academy High School
(A charter school under Doral Academy, Inc.)
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 776,058	\$ 776,058
State passed through local	7,292,621	-	7,292,621
Federal grants through state and local	-	35,327	35,327
Federal school lunch program	-	253,161	253,161
Usage fees and lunch fees	1,515,559	141,874	1,657,433
Interest and other revenue	273,385	-	273,385
Total Revenues	9,081,565	1,206,420	10,287,985
Expenditures:			
Current			
Instruction	4,767,088	31,909	4,798,997
Instructional staff training services	28,387	-	28,387
Board	60,087	-	60,087
School Administration	990,905	-	990,905
Facilities acquisition	-	-	-
Fiscal services	193,275	-	193,275
Food services	-	473,050	473,050
Central services	239,694	-	239,694
Pupil transportation services	1,010	-	1,010
Operation of plant	1,364,379	776,058	2,140,437
Maintenance of plant	275,365	-	275,365
Capital Outlay:			
Other capital outlay	2,847,955	-	2,847,955
Debt Service:			
Redemption of Principal	132,224	-	132,224
Interest	227,353	-	227,353
Total Expenditures	11,127,722	1,281,017	12,408,739
Excess (deficit) of revenues over expenditures	(2,046,157)	(74,597)	(2,120,754)
Other financing sources (uses):			
Transfers in and (out)	(74,597)	74,597	-
Proceeds from issuance of long term debt	1,764,840	-	1,764,840
Advances from other charter schools	700,000	-	700,000
Long term advances to Doral Academy, Inc.	(1,529,768)	-	(1,529,768)
Net change in fund balance	(1,185,682)	-	(1,185,682)
Fund Balance at beginning of year	1,652,552	-	1,652,552
Fund Balance at end of year	\$ 466,870	\$ -	\$ 466,870

See accompanying notes to the basic financial statements

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2013

Net Change in Fund Balance - Governmental Funds \$ (1,185,682)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlays of \$2,847,955 exceed depreciation expense of \$751,062. 2,096,893

Issuance of long term receivables represents a financial expenditure to governmental funds, but increases long-term assets in the statement of net assets. Increase in long term receivables is an expenditure in the governmental funds, but a decrease or collections of such receivables reduces long-term assets in the statement of net assets. This is the amount by which collection of \$0 exceeded increase in long-term receivables of \$1,529,768 in the current period. 1,529,768

The proceeds from long-term debt issuance provide current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds of \$2,464,840 exceeded repayments of \$132,223 in the current period. (2,363,344)

Change in Net Assets of Governmental Activities \$ 77,635

See accompanying notes to the basic financial statements

Doral Academy High School
(A charter school under Doral Academy, Inc.)
Statement of Net Assets - Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>
<u>Assets</u>	
Cash	\$ 116,912
Total Assets	<u>\$ 116,912</u>
<u>Liabilities</u>	
Due to students and clubs	\$ 116,912
Total Liabilities	\$ 116,912
<u>Net assets</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Doral Academy High School (the "School"), is a component unit of the School Board of Miami-Dade County, Florida (the "District"). The Schools charter is held by The Doral Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act.. The governing body of the School is the board of directors of The Doral Academy, Inc., which is composed of four members and also governs other charter schools.

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

The School is considered a component unit of such District and is located in Doral, Florida for students from ninth through twelfth grades and is funded by the District. These financial statements are for the year ended June 30, 2013, when approximately 1,288 students were enrolled for the school year.

Basis of Presentation

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information for the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds.

Note 1 – Summary of Significant Accounting Policies (continued)

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

Program revenues include: (1) charges for services, such as food service and student activity fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are not included in the government-wide financial statements. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds are reported as separate columns in the fund financial statements:

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

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

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

Measurement Focus and Basis of Accounting

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

Budgets and Budgetary Accounting

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

Deposits and Investments

All deposits are held in major banks and high grade investments. The School has not adopted a formal investment policy; however the School invests excess deposit funds in collateralized repurchase agreements. Cash and cash equivalents include all highly liquid investments with a maturity of three months or less. All deposits and investments in repurchase agreements are carried at cost plus accrued interest.

Note 1 – Summary of Significant Accounting Policies (continued)

Inter-fund Transfers

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

Due from Other Governments or Agencies

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

Capital Assets

The School’s property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net assets in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

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

Long –Term Debt

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

Revenue Sources

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Compensated Absences

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Net Assets and Fund Balance Classifications

Government-wide financial statements

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

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

Fund Financial Statements

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

- a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balances associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end relate to not in spendable form assets.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First Non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Use of Estimates

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

Income Taxes

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

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through August 30, 2013, which is the date the financial statements were available to be issued.

Note 2 – Deposits and Investments

Deposits

The School maintains its cash and cash equivalents in major banks and in high grade investments. As of June 30, 2013, the School's deposits and investments was \$805,517; of which \$245,517 consisted of cash balances and \$560,000 was fully collateralized under a repurchase agreement with Regions Bank (the "Bank").

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Doral Academy, Inc., which also operates various other charter schools.

Note 2 – Deposits and Investments (continued)

All bank accounts are opened under the account ownership of Doral Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2013, bank balances in potential excess of FDIC coverage totaled \$362,429; including fiduciary account bank balances.

Investments and Credit Risk

Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2013, all of the School's investments in repurchase agreements were held as part of the Bank's investment portfolio.

The School has not formally approved an investment policy regarding custodial credit risk; however it mitigates its credit risk by maintaining excess funds available in overnight repurchase agreements. Amounts invested in repurchase agreements are secured obligations collateralized by securities that include: non-callable U.S. Government and Agency Securities; Callable and Structured Agency Securities; Agency Mortgage-Backed Securities guaranteed by a federal agency, Bonds issued by government sponsored enterprises, Freddie Mac and Fannie Mae. Amounts invested in repurchase agreements are not insured by the FDIC and are subject to investment risks, including possible loss of principal invested, and if the Bank fails the School will become a secured creditor and may become an unsecured general creditor to the extent the market value of the securities used as collateral falls below the outstanding amount of repurchase obligations to the School.

Doral Academy High School
(A charter school under The Doral Academy, Inc.)
Notes to Financial Statements
June 30, 2013

Note 3 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2013:

	Balance 07/01/12	Additions	Deletions	Balance 06/30/13
Capital Assets, non-depreciable:				
Construction in progress	\$ -	\$ 2,364,513	\$ -	\$ 2,364,513
Total Capital Assets, non-depreciable	-	2,364,513	-	2,364,513
Capital Assets, depreciable :				
Improvements	6,123,198	34,577		\$ 6,157,776
Software	132,736	3,332		136,068
Furniture, equipment and textbooks	2,688,064	445,533		3,133,596
Total Capital Assets, depreciable	8,943,998	483,442		9,427,440
Total Capital Assets	8,943,998	2,847,955		11,791,953
Less Accumulated Depreciation:				
Improvements	(676,230)	(311,873)	-	(988,102)
Software	(99,836)	(53,717)	-	(153,554)
Furniture, equipment and textbooks	(1,880,827)	(385,472)	-	(2,266,300)
Total Accumulated Depreciation	(2,656,893)	(751,062)	-	(3,407,956)
Capital Assets, net	\$ 6,287,105	\$ 2,096,893	\$ -	\$ 8,383,997

For the fiscal year ended June 30, 2013, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$ 299,601
School administration	8,202
Facilities acquisition	251,076
Food services	4,735
Operation of plant	181,114
Pupil transportation service	6,332
Total Depreciation Expense	<u>\$ 751,062</u>

Note 4 –Management Agreement

Academica Dade, LLC, a professional charter school management company, provides management and administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement between the School and the management company calls for a fee of \$450 per full time equivalent (FTE) student per year. The agreement is with Doral Academy, Inc. for a period of five years, through June 30, 2017, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2013, the School incurred approximately \$580,000 in management fees.

Note 4 –Management Agreement (continued)

Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143 and its officers are:

Fernando Zulueta, President
Magdalena Fresen, Vice President and Treasurer
Ignacio Zulueta, Vice President
Collette Papa, Secretary

Note 5 –Related Party Transactions

Charter Schools under The Doral Academy, Inc.

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

During 2013, the School charged Doral Performing Arts and Entertainment Academy for the use of shared facilities, staff and other operating costs under a usage fee agreement. The term of the agreement is through July 31, 2013, with an option to renew annually. Total usage fees charged under the agreement totaled \$1,504,559. In addition, the School holds the student activities fund of Doral Performing Arts and Entertainment Academy.

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

During 2013, the School reimbursed approximately \$60,000 to Doral Academy Middle School for certain instructional personnel costs.

During the year, the School received a long term non-interest bearing advance from Doral Performing Arts and Entertainment Academy. The outstanding balance due to Doral Performing Arts and Entertainment Academy on this advance as of June 30, 2013, is \$700,000. This amount is due within three years and is secured by the School's capital assets.

Note 5 –Related Party Transactions (continued)

The Doral Academy, Inc.

The Doral Academy, Inc. charges all its affiliated schools an assessment for shared corporate costs and accreditation expenses. The School paid The Doral Academy, Inc. approximately \$32,000 in connection with these charges during the year.

On March, 15, 2013, the School advanced funds to the The Doral Academy, Inc. to purchase an adjacent plot land for \$1,579,768 for purposes of expanding the School’s campus. As of June 30, 2013, \$1,529,768 was due from The Doral Academy, Inc. in connection with this land purchase. The amount is due within three years and is secured by The Doral Academy, Inc.’s capital assets.

The following schedule provides a summary of changes in long-term receivables for the year ended June 30, 2013:

	Balance 07/01/12	Advances	Repayments	Balance 06/30/13
Due from Doral Academy, Inc.	\$ -	\$ 1,579,768	\$ (50,000)	\$ 1,529,768
	\$ -	\$ 1,579,768	\$ (50,000)	\$ 1,529,768

Doral College, Inc.

During 2011, the School made a long-term, non-interest bearing advance of \$400,000 to Doral College, a college under The Doral Academy, Inc., (the “College”). Currently Members of the Board of Trustees of the College also serve on the Board of The Doral Academy, Inc.

On June 30, 2012, the School awarded the \$400,000 under a recoverable grant agreement to the College. The purpose of the grant is for the College to develop a fully integrated dual enrollment program for the benefit of the School’s students. During the year ended June 30, 2013, the School received repayments of \$200,000 of the recoverable grant from the College. The repayments are included in other revenue on the statement of activities and the statement of revenues, expenditures, and changes in fund balance.

On November 15, 2012, the School entered into an Educational Services Agreement with the College to provide educational services and program support for the School’s students. Under the service agreement the School paid fees of \$275,000 to the College for the 2012-2013 academic year. This agreement expires on August 15, 2013, and is renewable for a total of three additional one-year terms.

During the year, the School reimbursed \$30,000 to the College for 2011-2012 expenses paid by the College that pertained to the School.

Other

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 2% of the qualifying revenues of the School. For the year ended June 30, 2013, administrative fees withheld by the School District totaled \$27,672.

Note 6 – Long Term Debt

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

Under the terms of the loan agreement and Phase I and II promissory notes, the loan shall bear interest from the date of each advance at an interest rate of seven percent (7%) until July 1, 2015, and thereafter shall bear interest at twelve percent (12%) until maturity. Interest only payments are to be made on the outstanding principal balance of the loan on the first of each month from the date of the first advance until the earlier of obtaining a certificate of occupancy for the property or until the date that the loan has been fully advanced to the School. Commencing the first payment date after the interest only period, and for the remainder of the term of the first note, payments of principal and interest on the outstanding principal balance of the loan, based on equal monthly principal and interest payments, are due and payable. All principal, interest, and unpaid costs shall be due and payable on the maturity date of July 1, 2017. Principal and interests payments began on July 1, 2012 for Phase I and are scheduled to begin on September 1, 2013 for Phase II. Interest expense paid on the Phase I promissory note as of June 30, 2013 is \$227,353. As of June 30, 2013, the principal loan amount outstanding on Phase I is approximately \$2,974,000.

During the 2012-2013 school year, the School received advances of approximately \$1.76 million from Phase II of the loan agreement. Interest expense in connection with Phase II was approximately \$31,000 and is accrued for as of as of June 30, 2013. As of June 30, 2013, the principal loan amount outstanding on Phase I is approximately \$1,760,000

The loan is collateralized, on a parity lien basis with the lien on the same collateral under the terms of the School’s lease agreement (see Note 7), by its pledged revenues, which includes all revenues collected by the School from the Florida Department of Education, the District, and all other sources. In addition, the loan is collateralized by all personal property related to or used in the operations at the School. In addition, the School is required to achieve certain financial performance objectives and financial covenants, as set forth in the loan agreement.

Note 6 – Long Term Debt (continued)

Future maturities of the Phase I and II promissory notes under the construction loan agreement are as follows as of June 30, 2013:

2014	249,139
2015	288,168
2016	305,513
2017	3,891,823
Total	<u>\$ 4,734,643</u>

The following schedule provides a summary of changes in long-term debt for the year ended June 30, 2013:

	Balance 07/01/12	Advances	Repayments	Balance 06/30/13
Construction loan	\$ 3,102,028	\$ 1,764,840	\$ 132,223	\$4,734,643
Due to Doral Performing Arts and Enter.	-	700,000	-	700,000
	<u>\$ 3,102,028</u>	<u>\$ 2,464,840</u>	<u>\$ 132,223</u>	<u>\$5,434,643</u>

Note 7 – Commitments and Contingencies

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

Under the agreement, the School must meet certain covenants and requirements, including a “Lease Payment Coverage Ratio” of not less than 1.10 to 1.00. In addition, the School is required under the terms of the lease agreements to maintain a reserve for property expenses such as repairs, maintenance, taxes and insurance equal to 5% of their gross revenues for the fiscal year. The required reserve was waived by the Landlord for the 2012 – 2013 school year.

Under this agreement the School has granted a first lien on its pledged revenues, which includes all revenues collected by the school from the Florida Department of Education, the District, and all other sources. For 2013, rent expense totaled \$1,694,125, out which approximately \$1,629,000 related to the facility lease. As of June 30, 2013, the School had prepaid approximately \$136,000 of rent expense.

Note 7 – Commitments and Contingencies (continued)

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

Future minimum payments under these leases are as follows:

<u>Year</u>	
2014	\$1,631,428
2015	\$1,631,428
2016	\$1,631,428
2017	\$1,631,428
2018	\$1,631,428
2019-2023	\$8,157,141 (Total for five-year period)
2024	\$1,631,428 (Total for one-year period)

Contingencies

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

Note 7 – Commitments and Contingencies (continued)

The School participates in a number of Federal and State grant programs which are subject to audit in accordance with Office of Management and Budget Circular A-133 “Audits of States, Local Governments, and Non-Profit Organizations”. The School expects such expenditures, if any, which may be disallowed by the granting agencies to be immaterial.

Construction Contract

At June 30, 2013, the School had uncompleted construction contracts and other contractual commitments related to the expansion and improvements of the School. The new facility is to be located on the Schools existing land that falls under the terms of the current lease agreement (Note 7). The contract pertains to a 19,000 square foot facility that will house a new gymnasium, additional classroom space and band room. As of June 30, 2013, the School capitalized \$2,168,000 of which \$216,823 is retainage payable at year end. The School has a remaining commitment of approximately \$478,000 at year end.

Note 8 – Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in the past. In addition, there were no reductions in insurance coverage from those in the prior year.

Note 9 – Defined Contribution Retirement Plan

The School’s personnel, who are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School provides a match of 50% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed to the Plan \$21,443 for the year ended June 30, 2013. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by MassMutual Financial Group.

REQUIRED SUPPLEMENTARY INFORMATION

Doral Academy High School
(A charter school under Doral Academy, Inc.)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2013

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 6,730,000	\$ 7,280,000	\$ 7,292,621
Usage fees	1,254,740	1,517,191	1,515,559
Interest and other revenues	207,000	270,000	273,385
Total Revenues	8,191,740	9,067,191	9,081,565
EXPENDITURES			
Current:			
Instruction	\$ 4,650,000	\$ 4,770,000	\$ 4,767,088
Training Services	30,000	30,000	28,387
Board	60,000	62,000	60,087
School Administration	900,000	1,000,000	990,905
Fiscal Services	175,000	195,000	193,275
Central Services	200,000	245,000	239,694
Pupil transportation services	-	1,500	1,010
Operation of Plant	1,602,621	1,400,000	1,364,379
Maintenance of Plant	280,000	280,000	275,365
Total Current Expenditures	7,897,621	7,983,500	7,920,190
Excess of Revenues Over Current Expenditures	294,119	1,083,691	1,161,375
Capital Outlay:			
Other Capital Outlay	3,500,000	2,850,000	2,847,955
Debt Service:			
Redemption of Principal	100,000	135,000	132,224
Interest paid	-	230,000	227,353
	3,600,000	3,215,000	3,207,532
Total Expenditures	11,497,621	11,198,500	11,127,722
Excess of Revenues Over Expenditures	(3,305,881)	(2,131,309)	(2,046,157)
Other financing sources:			
Transfers in (out)	-	(81,000)	(74,597)
Proceeds from issuance of long term debt	1,665,000	1,765,000	1,764,840
Advances from other charter schools	-	700,000	700,000
Long term advances to affiliates	-	(1,530,000)	(1,529,768)
Net change in fund balance	(1,640,881)	(1,277,309)	(1,185,682)
Fund Balance at beginning of year	1,652,552	1,652,552	1,652,552
Fund Balance at end of year	\$ 11,671	\$ 375,243	\$ 466,870

Notes to Budgetary Comparison Schedule

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

Doral Academy High School
(A charter school under Doral Academy, Inc.)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2013

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	\$ 625,000	776,000	\$ 776,058
Federal grants through state and local	30,000	35,300	35,327
Federal school lunch program	300,000	252,000	253,161
Lunch fees	100,000	142,000	141,874
Total Revenues	<u>1,055,000</u>	<u>1,205,300</u>	<u>\$ 1,206,420</u>
EXPENDITURES			
Current:			
Instruction	\$ 30,000	\$ 35,300	\$ 31,909
Food Services	400,000	475,000	473,050
Operation of Plant	625,000	776,000	776,058
Total Current Expenditures	<u>1,055,000</u>	<u>1,286,300</u>	<u>1,281,017</u>
Excess of Revenues Over Current Expenditures	<u>-</u>	<u>(81,000)</u>	<u>(74,597)</u>
Capital Outlay:			
Other Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,055,000</u>	<u>1,286,300</u>	<u>1,281,017</u>
Excess of Revenues Over Expenditures	-	(81,000)	(74,597)
Other financing sources:			
Transfers in (out)	-	81,000	74,597
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Budgetary Comparison Schedule

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Doral Academy High School (the "School") as of, and for the year ended June 30, 2013, 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 30, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate management letter dated August 30, 2013 pursuant to Chapter 10.850, Rules of the Auditor General.

Purpose of this Report

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

HEB Grenier, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2013

MANAGEMENT LETTER

Board of Directors of
Doral Academy High School
Doral, Florida

We have audited the financial statements of the governmental activities and each major fund of Doral Academy High School as of and for the year ended June 30, 2013 and have issued our report thereon dated August 30, 2013.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosure in those reports, which are dated August 30, 2013, 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 auditor's report or schedule:

1. 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 the findings and recommendations made in the preceding audit report.

2. 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 Doral Academy High School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

3. 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.

ML 2013-01 – CAPITAL ASSETS

Observation

We noted that the school uses asset manager software to keep track of capital assets and compute depreciation. We noted that there is no procedure to reconcile the capital asset totals in the asset manager to the school's trial balance.

Recommendation

We recommend that the asset manager total be reconciled to the trial balance at least annually.

ML 2013-02 – INTERNAL ACCOUNT

Observation

Control over the internal account needs improvement. We noted that activity in the School's internal fund includes both fiduciary activity and general fundraising activity. The accounting treatment is being applied in the same way for both as funds held in the School's internal account are reported as a liability and the activity is not reflected as revenues or expenses. The activity is also recorded in one general ledger account on a cash basis.

Recommendation

Although generally not material to the financial statements taken as a whole, the activity related to general fundraising should be treated separately from fiduciary type activity. Funds accumulated by fundraising activity should be reflected in the School's net assets as either unrestricted or restricted net assets. In addition, general fundraising revenues and expenses should be reflected in the statement of activities and should be recorded on the accrual basis with reconciliation to the bank statement performed monthly.

4. 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.

5. Section 10.854.(1)(e)5., Rules of the Auditor General, requires the name or official title of the school.

The official title of the school is Doral Academy High School.

6. Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Doral Academy High School financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

We have applied such procedures and no deteriorating financial condition has been noted.

Status of Prior Year Findings and Recommendations

ML 2012-01 – Education Jobs Fund – Special Revenue Funds: During the current year audit procedures, we noted that the School implemented our recommendation and properly included all federal funds in the special revenue fund.

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

HEB Granin, CPA

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2013

Doral Academy Charter High School

August 29th, 2013

HLB Gravier, LLP
396 Alhambra Circle, 9th Floor
Coral Gables, FL 33134

RE: MANAGEMENT'S RESPONSES TO AUDITOR'S RECOMMENDATION

The following is the response by the School's Board of Directors to your recommendations:

ML 13-01 – CAPITAL ASSETS

Recommendation

We recommend that the asset manager total be reconciled to the trial balance at least annually.

Management Response

While Management does reconcile the asset manager to the trial balance, Management will adhere to auditor's recommendation and reconcile the asset manager to the trial balance, at minimum, annually. Management is also purchasing a new asset manager software.

ML 13-02 – INTERNAL ACCOUNT

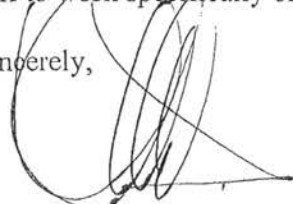
Recommendation

Although generally not material to the financial statements taken as a whole, the activity related to general fundraising should be treated separately from fiduciary type activity. Funds accumulated by fundraising activity should be reflected in the School's net assets as either unrestricted or restricted net assets. In addition, general fundraising revenues and expenses should be reflected in the statement of activities and should be recorded on the accrual basis with reconciliation to the bank statements performed monthly.

Management Responses

Management will adhere to auditor's recommendation and Management has assigned staff to work specifically on this project.

Sincerely,



Ana Maria Martinez
Authorized Signor for Doral Academy, Inc.