

Renaissance Charter School at Wellington
A Department of Renaissance Charter School, Inc.

Basic Financial Statements
For the Year Ended June 30, 2017

Renaissance Charter School at Wellington

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Renaissance Charter School at Wellington
A Department of Renaissance Charter School, Inc.
Wellington, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Renaissance Charter School at Wellington (the "School"), a Department of Renaissance Charter School, Inc., as of and for the year ended June 30, 2017, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2017, and the respective changes in financial position, and budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and change in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of Renaissance Charter School, Inc. that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of Renaissance Charter School, Inc. as of June 30, 2017 and the changes in its financial position or budgetary comparisons, where applicable, for the year ended June 30, 2017 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 21, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Renaissance Charter School at Wellington (the "School"), a Department of Renaissance Charter School, Inc., we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2017 and 2016.

Management's discussion and analysis is included at the beginning of the School's basic financial statements to provide, in layman's terms, the current position of the School's financial condition. This summary should not be taken as a replacement for the audit which consists of the basic financial statements.

Financial Highlights

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

- As of June 30, 2017, the School's governmental fund balances were \$ 105,149 as compared to \$ 214,430 as of June 30, 2016.
- As of June 30, 2017 the School had net position (deficit) of \$ (80,758) as compared to \$ 140,552 as of June 30, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-Wide Basic 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, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the 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 include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide basic financial statements can be found on pages 7 and 8 of this report.

Fund Basic Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide basic financial statements, governmental fund basic financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the 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 change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balances. The General Fund, Special Revenue Fund and Capital Project Fund are considered to be the School's major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 9 through 14 of this report.

Agency Fund: In addition, the School has one agency fund which is a student activity fund. This fund was formed for educational and school purposes.

The agency fund financial statement can be found on page 15 of this report. The assets and liabilities of this fund are not included in the government-wide statement of net position.

Notes to Basic Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 16 through 23 of this report.

Government-Wide Financial Analysis

The School has been in operation for three years; therefore, comparative government-wide data is presented. The School's net position (deficit) was \$ (80,758) at June 30, 2017. This amount represents net investment in capital assets of \$ 154,983 and unrestricted (deficit) of \$ (235,741). The School's net position was \$ 140,552 at June 30, 2016. This amount represents net investment in capital assets of \$ 157,899 and unrestricted (deficit) of \$ (17,347).

**Renaissance Charter School at Wellington
Management's Discussion and Analysis
June 30, 2017**

Our analysis in the table below focuses on the net position of the School's governmental activities:

Renaissance Charter School at Wellington Net Position (Deficit)		
	June 30, 2017	June 30, 2016
Assets:		
Current and other assets	\$ 329,206	\$ 514,115
Capital assets, net of depreciation	<u>363,664</u>	<u>553,963</u>
Total assets	<u>692,870</u>	<u>1,068,078</u>
Liabilities:		
Current liabilities	396,183	493,899
Noncurrent liabilities	<u>377,445</u>	<u>433,627</u>
Total liabilities	<u>773,628</u>	<u>927,526</u>
Net Position:		
Net investment in capital assets	154,983	157,899
Unrestricted (deficit)	<u>(235,741)</u>	<u>(17,347)</u>
Total net position (deficit)	<u>\$ (80,758)</u>	<u>\$ 140,552</u>

Current and other assets decreased as a result of a decrease in cash and cash equivalents. The decrease in capital assets, net of depreciation is a result of depreciation expense of \$ 309,218. The decrease in current liabilities is a result of a decrease in accounts payable. Noncurrent liabilities decreased as a result of principal payments on their capital lease.

Governmental Activities: The results of this year's operations for the School as a whole are reported in the statement of activities on page 8. The table below provides a condensed presentation of the School's revenues and expenses for the year ended June 30, 2017 and 2016:

Renaissance Charter School at Wellington Change in Net Position		
	June 30, 2017	June 30, 2016
Revenues:		
General revenues	\$ 4,543,400	\$ 4,064,545
Program revenues	<u>553,813</u>	<u>542,821</u>
Total revenues	<u>5,097,213</u>	<u>4,607,366</u>
Functions/Program Expenses:		
Instruction	2,477,551	2,049,729
Instructional support services	2,446,566	2,164,537
Non-instructional services	<u>394,406</u>	<u>306,501</u>
Total expenses	<u>5,318,523</u>	<u>4,520,767</u>
Change in net position (deficit)	<u>\$ (221,310)</u>	<u>\$ 86,599</u>

**Renaissance Charter School at Wellington
Management's Discussion and Analysis
June 30, 2017**

General revenues increased from the prior year due to an increase in enrollment. Total expenses also increased for the same reason, primarily in salaries and benefits.

Governmental Fund Expenditures

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

<u>Functions/Programs</u>	<u>2017</u>		<u>2016</u>	
	<u>Expenditures</u>	<u>Percent</u>	<u>Expenditures</u>	<u>Percent</u>
Governmental expenditures:				
Instruction	\$ 2,155,242	41%	\$ 1,774,443	39%
Plant operations and maintenance	1,886,098	36%	1,458,216	32%
Administrative services	326,601	6%	286,772	6%
Debt service	206,580	4%	206,580	5%
Capital outlay	118,919	2%	275,874	6%
All other functions/programs	<u>513,054</u>	<u>11%</u>	<u>491,928</u>	<u>12%</u>
Total governmental expenditures	\$ <u>5,206,494</u>	<u>100%</u>	\$ <u>4,493,813</u>	<u>100%</u>

Capital Assets and Debt Administration

Capital assets: At June 30, 2017, the School had capital assets of \$ 363,664, net of accumulated depreciation, invested in furniture and equipment, computer equipment and improvements other than buildings, as compared to \$ 553,963 at June 30, 2016.

Debt: At June 30, 2017, the School had outstanding debt of \$ 208,681, as compared to \$ 396,064 at June 30, 2016. Additional information on the School's debt can be found in Notes 6 and 7 on pages 21 and 22.

General Fund Budgetary Highlights

Local source revenues were unfavorable as a result of a budgeted contribution from the management company which was lower than anticipated.

Expenditures were favorable to the budget by less than 1%. The School ended the year with a change in fund balance which was unfavorable to budget by approximately \$ 132,000.

Economic Factors and Next Year's Budget

In fiscal year 2017, the State of Florida increased its Florida Education Finance Program funding by approximately 1%. The capital outlay funding pool also increased to \$ 75 million. A 2% merit increase was paid out to eligible staff. For fiscal year 2018, the School budgets were finalized ahead of the passing of House Bill 7069 and the final capital outlay reduction to \$ 50 million. The budgets reflect a Florida Education Finance Program funding increase of approximately .34% and flat capital outlay. A 2% merit increase for all staff is included as well as additional teacher pay increases in certain districts. All other expenditures are budgeted in alignment with enrollment changes and the School's strategic objectives.

Requests for Information

If you have any questions about this report or need additional information, please write Hillary Daigle, Vice President of Finance, Charter Schools USA, 800 Corporate Drive, Suite 700, Fort Lauderdale, Florida 33308.

BASIC FINANCIAL STATEMENTS

Renaissance Charter School at Wellington
Statement of Net Position (Deficit)
June 30, 2017

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 45,175
Other receivables	47,428
Due from management company	103,307
Due from Agency Fund	479
Due from related party	18,731
Due from other governments	15,691
Prepaid items	22,086
Deposits	<u>76,309</u>
Total current assets	329,206
Noncurrent Assets:	
Capital assets (depreciable), net of accumulated depreciation	<u>363,664</u>
Total assets	<u>692,870</u>
Current Liabilities:	
Accounts payable	38,910
Salaries and wages payable	185,147
Compensated absences	17,248
Capital leases	<u>154,878</u>
Total current liabilities	<u>396,183</u>
Noncurrent Liabilities:	
Deferred rental payments	317,892
Compensated absences	5,750
Capital leases	<u>53,803</u>
Total noncurrent liabilities	<u>377,445</u>
Total liabilities	<u>773,628</u>
Commitments (Note 8)	-
Net Position (Deficit):	
Net investment in capital assets	154,983
Unrestricted (deficit)	<u>(235,741)</u>
Total net position (deficit)	\$ <u><u>(80,758)</u></u>

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

Renaissance Charter School at Wellington
Statement of Activities
For the Year Ended June 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Activities Net Revenue (Expense) and Change in Net Position</u>
Functions/Programs:					
Instruction	\$ 2,477,551	\$ -	\$ 20,811	\$ -	\$ (2,456,740)
Pupil personnel services	58,588	-	-	-	(58,588)
Instructional media services	-	-	-	-	-
Instructional and curriculum development services	5,732	-	-	-	(5,732)
Instructional staff training services	3,321	-	-	-	(3,321)
Instruction related technology	70,204	-	-	-	(70,204)
School Board	18,023	-	-	-	(18,023)
School administration	326,601	-	-	-	(326,601)
Fiscal services	7,055	-	-	-	(7,055)
Food services	174,434	40,979	142,003	-	8,548
Central services	93,746	-	-	-	(93,746)
Pupil transportation	-	-	-	-	-
Operation of plant	1,806,198	-	17,999	166,938	(1,621,261)
Maintenance of plant	175,922	-	-	-	(175,922)
Community services	81,951	155,689	9,394	-	83,132
Interest on long-term debt	19,197	-	-	-	(19,197)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	\$ <u>5,318,523</u>	\$ <u>196,668</u>	\$ <u>190,207</u>	\$ <u>166,938</u>	<u>(4,764,710)</u>
General revenues:					
Grants and entitlements					4,138,300
Contribution					399,758
Miscellaneous					<u>5,342</u>
Total general revenues					<u>4,543,400</u>
Change in net position					(221,310)
Net position, July 1, 2016					<u>140,552</u>
Net position (deficit), June 30, 2017					\$ <u><u>(80,758)</u></u>

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

Renaissance Charter School at Wellington
Balance Sheet - Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 45,175	\$ -	\$ -	\$ 45,175
Other receivables	47,428	-	-	47,428
Due from management company	103,307	-	-	103,307
Due from Agency Fund	479	-	-	479
Due from related party	-	18,731	-	18,731
Due from other governments	-	1,477	14,214	15,691
Due from other funds	34,422	-	-	34,422
Prepaid items	22,086	-	-	22,086
Deposits	76,309	-	-	76,309
	<u>329,206</u>	<u>20,208</u>	<u>14,214</u>	<u>363,628</u>
Total assets	\$ <u>329,206</u>	\$ <u>20,208</u>	\$ <u>14,214</u>	\$ <u>363,628</u>
Liabilities:				
Accounts payable	\$ 38,910	\$ -	\$ -	\$ 38,910
Salaries and wages payable	185,147	-	-	185,147
Due to other funds	-	20,208	14,214	34,422
	<u>224,057</u>	<u>20,208</u>	<u>14,214</u>	<u>258,479</u>
Total liabilities	<u>224,057</u>	<u>20,208</u>	<u>14,214</u>	<u>258,479</u>
Commitments (Note 8)	-	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid items	22,086	-	-	22,086
Deposits	76,309	-	-	76,309
Unassigned	6,754	-	-	6,754
	<u>105,149</u>	<u>-</u>	<u>-</u>	<u>105,149</u>
Total fund balances	<u>105,149</u>	<u>-</u>	<u>-</u>	<u>105,149</u>
Total liabilities and fund balances	\$ <u>329,206</u>	\$ <u>20,208</u>	\$ <u>14,214</u>	\$ <u>363,628</u>

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

**Renaissance Charter School at Wellington
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2017**

Total Fund Balances - Governmental Funds \$ 105,149

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

The cost of capital assets acquired is reported as an expenditure in the governmental funds. The statement of net position (deficit) includes those capital assets, net of accumulated depreciation, among the assets of the School as a whole.

Cost of capital assets	\$ 1,121,253	
Accumulated depreciation	<u>(757,589)</u>	363,664

Liabilities not payable with current available resources are not reported as fund liabilities in the governmental fund statements. All liabilities both current and long-term, are reported in the government-wide statements.

Deferred rental payments	(317,892)	
Capital leases payable	(208,681)	
Compensated absences	<u>(22,998)</u>	<u>(549,571)</u>

Net Position (Deficit) of Governmental Activities \$ (80,758)

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

**Renaissance Charter School at Wellington
Statement of Revenues, Expenditures and
Change in Fund Balances - Governmental Funds
For the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Revenues:				
Federal through state	\$ -	\$ 162,566	\$ -	\$ 162,566
State sources	4,145,300	2,642	166,938	4,314,880
Local sources	464,078	-	-	464,078
Aftercare	155,689	-	-	155,689
	<u>4,765,067</u>	<u>165,208</u>	<u>166,938</u>	<u>5,097,213</u>
Expenditures:				
Instruction	2,141,431	13,811	-	2,155,242
Pupil personnel services	58,588	-	-	58,588
Instructional and curriculum development services	5,732	-	-	5,732
Instructional staff training services	3,321	-	-	3,321
Instruction related technology	70,204	-	-	70,204
School Board	18,023	-	-	18,023
School administration	326,601	-	-	326,601
Fiscal services	7,055	-	-	7,055
Food services	32,431	142,003	-	174,434
Central services	93,746	-	-	93,746
Operation of plant	1,543,238	-	166,938	1,710,176
Maintenance of plant	175,922	-	-	175,922
Community services	72,557	9,394	-	81,951
Capital outlay	118,919	-	-	118,919
Debt service:				
Principal	187,383	-	-	187,383
Interest	19,197	-	-	19,197
	<u>4,874,348</u>	<u>165,208</u>	<u>166,938</u>	<u>5,206,494</u>
Net change in fund balances	(109,281)	-	-	(109,281)
Fund Balances, July 1, 2016	<u>214,430</u>	<u>-</u>	<u>-</u>	<u>214,430</u>
Fund Balances, June 30, 2017	<u>\$ 105,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,149</u>

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

**Renaissance Charter School at Wellington
Reconciliation of the Statement of Revenues,
Expenditures and Change in Fund Balances
of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017**

Change in Fund Balances - Governmental Fund \$ (109,281)

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, these costs are allocated over their estimated useful lives as a provision for depreciation.

Cost of capital assets	\$ 118,919	
Provision for depreciation	<u>(309,218)</u>	(190,299)

Principal payments on long-term debt are reported as expenditures in governmental funds, but as a reduction of long-term liabilities in the statement of net position (deficit). 187,383

Certain items reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.

Deferred rental payments	(95,222)	
Compensated absences	<u>(13,891)</u>	<u>(109,113)</u>

Change in Net Position (Deficit) of Governmental Activities \$ (221,310)

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

**Renaissance Charter School at Wellington
Statement of Revenues and Expenditures -
Budget and Actual - General Fund
For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State sources	\$ 4,903,987	\$ 4,186,117	\$ 4,145,300	\$ (40,817)
Local sources	195,620	594,056	464,078	(129,978)
Aftercare	259,557	161,780	155,689	(6,091)
	<u>5,359,164</u>	<u>4,941,953</u>	<u>4,765,067</u>	<u>(176,886)</u>
Expenditures:				
Instruction	2,286,424	2,122,907	2,141,431	(18,524)
Pupil personnel services	142,286	64,968	58,588	6,380
Instructional and curriculum development services	10,500	5,732	5,732	-
Instructional staff training services	17,700	15,889	3,321	12,568
Instruction related technology	82,849	74,343	70,204	4,139
School Board	23,953	18,614	18,023	591
School administration	410,249	330,746	326,601	4,145
Fiscal services	7,000	6,848	7,055	(207)
Food services	86,933	35,789	32,431	3,358
Central services	93,226	91,894	93,746	(1,852)
Operation of plant	1,568,588	1,550,525	1,543,238	7,287
Maintenance of plant	153,765	180,543	175,922	4,621
Community services	96,817	76,329	72,557	3,772
Capital outlay	172,294	137,594	118,919	18,675
Debt service:				
Principal	187,383	187,383	187,383	-
Interest	19,197	19,197	19,197	-
	<u>5,359,164</u>	<u>4,919,301</u>	<u>4,874,348</u>	<u>44,953</u>
Net change in fund balance	\$ <u><u>-</u></u>	\$ <u><u>22,652</u></u>	\$ <u><u>(109,281)</u></u>	\$ <u><u>(131,933)</u></u>

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

**Renaissance Charter School at Wellington
Statement of Revenues and Expenditures -
Budget and Actual - Special Revenue Fund
For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Federal sources:				
National School Lunch Program	\$ 162,275	\$ 143,805	\$ 148,755	\$ 4,950
IDEA	9,025	9,025	13,811	4,786
State sources:				
National School Lunch Program	<u>3,354</u>	<u>32</u>	<u>2,642</u>	<u>2,610</u>
Total revenues	<u>174,654</u>	<u>152,862</u>	<u>165,208</u>	<u>12,346</u>
Expenditures:				
Instruction	-	-	13,811	(13,811)
Food services	153,729	134,809	142,003	(7,194)
Community services	<u>20,925</u>	<u>18,053</u>	<u>9,394</u>	<u>8,659</u>
Total expenditures	<u>174,654</u>	<u>152,862</u>	<u>165,208</u>	<u>(12,346)</u>
Net change in fund balance	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

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

Renaissance Charter School at Wellington
Statement of Assets and Liabilities - Agency Fund
June 30, 2017

	<u>Student Activities</u>
Assets:	
Cash and cash equivalents	\$ <u>58,643</u>
Total assets	\$ <u><u>58,643</u></u>
Liabilities:	
Due to General Fund	\$ 479
Due to students	<u>58,164</u>
Total liabilities	\$ <u><u>58,643</u></u>

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

Note 1 - Organization and Operations

Renaissance Charter School at Wellington (the "School"), a Department of Renaissance Charter School, Inc., was established in July 2014 as a public charter school to serve students from kindergarten to eighth grade in Palm Beach County. The School is sponsored by its charter-holder, Renaissance Charter School, Inc., a Florida nonprofit corporation organized in August 1998. There were 598 students enrolled for the 2016/2017 school year.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of Renaissance Charter School, Inc. as of June 30, 2017, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Accordingly, these basic financial statements only include balances, activity and disclosures related to the School.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring school board, the School Board of Palm Beach County. The current charter is effective until July 31, 2019, and may be renewed in minimum terms of five years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter, in which case, the School Board is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the basic financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable, which would require inclusion in the School's basic financial statements.

Basis of presentation: Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide - Not-for-Profit Organizations and provisions of Section 228.056, Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide basic financial statements: The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the School's activities are classified as governmental activities.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations.

Note 2 - Summary of Significant Accounting Policies (continued)

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The net costs, by function, are also supported by general revenues (unrestricted contributions, investment earnings, miscellaneous revenue, etc.). The statement of activities reduces gross expenses (including provision for depreciation) by related program revenues, operating and capital grants and contributions. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the year ended June 30, 2017 the School had program revenues of \$ 553,813.

This government-wide focus is more on the ability to sustain the School as an entity and the change in the School's net position resulting from the current year's activities.

Fund financial statements: The accounts of the School are organized on the basis of funds. 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.

The School reports the following major governmental funds:

General Fund - This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

Special Revenue Fund - This fund is used to account for federal grants and certain state grants that are legally restricted to expenditures for particular purposes.

Capital Project Fund - This fund is used to account for state capital outlay funding that is legally restricted to expenditures for particular purposes.

Measurement focus and basis of accounting: Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the governmental-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide basic financial statements is presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds basic financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within sixty days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Cash and cash equivalents: The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents.

The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk (Note 3).

Note 2 - Summary of Significant Accounting Policies (continued)

Prepaid items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Due to and due from other funds: Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Revenue recognition: Student funding is provided by the State of Florida through the School Board. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements. This funding is received on a pro rata basis over a twelve-month period and is adjusted for changes in full-time equivalent (FTE) student population.

Income taxes: The School is a division of a nonprofit corporation. Revenue of the School is derived primarily from other governmental entities. The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these basic financial statements.

Capital assets: Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with a cost of \$ 750 and useful life of over one year. Donated property and equipment assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related fixed assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all capital assets is provided on the straight-line basis over the estimated useful lives as follows:

Furniture and equipment	5 years
Computer equipment	3 years
Improvements other than buildings	10 years

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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

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

Unearned revenue: Unearned revenue arises when the School receives resources before it has a legal claim to them.

Note 2 - Summary of Significant Accounting Policies (continued)

Compensated absences: The School's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Payments for compensated absences are generally paid out of the General Fund.

Net position: Net position is classified in three categories. The general meaning of each is as follows:

- Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of borrowings used for the acquisition, construction or improvement of those assets.
- Restricted - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - indicates that portion of net position that is available to fund future operations.

Fund balance: The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

- Nonspendable - this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted - this classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.
- Committed - this classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.
- Assigned - this classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.

Note 2 - Summary of Significant Accounting Policies (continued)

- Unassigned - this classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 9.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

Budget: An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the financial statements.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of management review: Subsequent events were evaluated by management through September 21, 2017, which is the date the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

At June 30, 2017, the carrying amount of the deposits and cash on hand totaled \$ 103,818 with a bank balance of \$ 142,023.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository and are covered by the collateral pool as the School has identified itself as a public entity.

Renaissance Charter School at Wellington
Notes to Basic Financial Statements
June 30, 2017

Note 4 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2017 are as follows:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets, depreciable:				
Furniture and equipment	\$ 391,266	\$ 71,001	\$ -	\$ 462,267
Computer equipment	603,068	47,918	-	650,986
Improvements other than buildings	8,000	-	-	8,000
Total capital assets, depreciable	1,002,334	118,919	-	1,121,253
Accumulated depreciation:				
Furniture and equipment	140,962	92,298	-	233,260
Computer equipment	306,609	216,120	-	522,729
Improvements other than buildings	800	800	-	1,600
Total accumulated depreciation	448,371	309,218	-	757,589
Net capital assets	\$ 553,963	\$ (190,299)	\$ -	\$ 363,664

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 308,418
Operation of plant	800
	<u>\$ 309,218</u>

Note 5 - Due From Related Party

The School is a Department of Renaissance Charter School, Inc. ("RCS"). As of June 30, 2017, RCS owes the School \$ 18,731 for the National School Lunch Program funding not yet distributed to the School.

Note 6 - Capital Leases

The School entered into two capital leases for school furniture and equipment and computer equipment. The leases require monthly payments of \$ 17,215 through February 2018 and then \$ 7,155 through February 2019. As of June 30, 2017, the net book value of the leased furniture, equipment and computer equipment is approximately \$ 153,900. Amortization of the leased furniture, equipment and computer equipment is included with depreciation expense.

The following is a schedule of the future minimum lease payments as of June 30, 2017:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 154,878	\$ 7,692	\$ 162,570
2019	53,803	1,213	55,016
	<u>\$ 208,681</u>	<u>\$ 8,905</u>	<u>\$ 217,586</u>

Renaissance Charter School at Wellington
Notes to Basic Financial Statements
June 30, 2017

Note 7 - Long-Term Liabilities

Changes in the School's long-term liabilities for the fiscal year ended June 30, 2017, are as follows:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Amount Due Within One Year
Capital leases	\$ 396,064	\$ -	\$ 187,383	\$ 208,681	\$ 154,878
Compensated absences	9,107	17,596	3,705	22,998	17,248
	<u>\$ 405,171</u>	<u>\$ 17,596</u>	<u>\$ 191,088</u>	<u>\$ 231,679</u>	<u>\$ 172,126</u>

Note 8 - Commitments

Operating lease agreement: The School entered into a noncancellable operating lease for use of its premises through July 2039. The base rent consists of \$ 50,000 plus \$ 1,100 times the applicable number of students. The \$ 1,100 in the base rent calculation shall increase each year by the Consumer Price Index. The School's payment of base rent in an amount equal to \$ 50 per student shall be deferred through lease year five. The deferred base rent shall accrue interest at 7% per annum and shall be due and payable to the landlord at the end of lease year five. For the year ended June 30, 2017, the School paid \$ 1,165,194 in rent and deferred \$ 76,672 of rent and \$ 18,550 of interest.

The lease provides for an option to renew for up to four additional five year periods. The lease also provides for an option to purchase based on a certain cap rate based on the then current base rent for the full school year at the time of the closing. The option to purchase cannot be exercised until after January 1, 2018 and must be exercised at the latest September 2, 2018 for a closing on December 31, 2018 or such date mutually agreed to by both parties.

Management agreement: The School has a formal agreement with Charter Schools USA at Wellington, LLC ("CSUSA") to manage, staff, and operate the School. CSUSA is entitled to retain as compensation for its services an amount not to exceed 15% of revenues as determined by the Board of Directors in the approved annual budget. The term of the agreement coincides with the charter and can be extended if the charter is extended. For the year ending June 30, 2017, CSUSA did not receive a management fee from the School and CSUSA contributed \$ 399,758 to the School.

The School has an amount of \$ 103,307 due from CSUSA at June 30, 2017.

Post-retirement benefits: The School does not provide post-retirement benefits to retired employees.

Note 9 - Employee Benefit Plan

During the year ended June 30, 2017, the School offered all of its full-time employees who had attained 21 years of age, a retirement plan under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of his/her annual gross compensation, subject to certain limitations. The School contributed a matching amount of \$ 1,636 for the year ended June 30, 2017.

Note 10 - Capital Appropriations Funding

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes, those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring district. The School's CSCO award totaled \$ 166,938 for the 2016/2017 school year, and has been recognized as revenue in the accompanying basic financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of non-renewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School Board. The School has elected to use these funds to pay a portion of the lease expense on the facility.

Note 11 - Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies including, but not limited to, general liability and errors and omissions insurance. There were no claims in excess of insurance coverage limits during the past three years.

As disclosed in Note 8, CSUSA employs all of the employees of the School. As a result, the School is not exposed to medical or workers' compensation claims for these individuals. In addition, CSUSA carries all required insurance including, but not limited to, general liability and errors and omissions insurance.

OTHER INDEPENDENT
AUDITOR'S REPORTS

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
Renaissance Charter School at Wellington
A Department of Renaissance Charter School, Inc.
Wellington, 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, each major fund, and the aggregate remaining fund information of Renaissance Charter School at Wellington (the "School"), a Department of Renaissance Charter School, Inc., as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 21, 2017

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Renaissance Charter School at Wellington
A Department of Renaissance Charter School, Inc.
Wellington, Florida

Report on the Financial Statements

We have audited the financial statements of Renaissance Charter School at Wellington (the "School"), a Department of Renaissance Charter School, Inc., as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated September 21, 2017.

Auditor's Responsibility

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

Other Report

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 21, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Renaissance Charter School at Wellington.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, require that we report the results of our determination 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.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. 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.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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

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

Purpose of this Letter

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 21, 2017