

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

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

JUNE 30, 2015



M^CCRADY | HESS
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

	<u>Page</u>
Management's Discussion and Analysis	1 – 6
Report of Independent Auditors on Basic Financial Statements and Supplementary Information	7 – 8
Basic Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15 – 23
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	24
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25 – 26
Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities</i>:	
Management Letter	27 – 29

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Richard Milburn Academy of Florida, Inc. - Richard Milburn Academy of Volusia County (the "School") offers the following narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2015.

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

FINANCIAL HIGHLIGHTS

- ❖ For the fiscal year ended June 30, 2015, the School's expenses exceeded revenues by approximately \$1,000 on its Statement of Activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to School's basic financial statements. The School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the understanding of the financial condition of School. This document also includes the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance With *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and the current year changes. The net position is the difference between the School's total assets and total liabilities. Measuring the net position is one way to evaluate the School's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include the School's basic services. The business-type activities are those services that the School charges for that are not directly related to the School's mission. For the year ended June 30, 2015, the School had no business-type activities or component units.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. All of the operations of the School are presented in governmental funds only.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The School's basic services are accounted for in governmental funds. These funds focus on how assets that can readily be converted into cash flow in and out, and what monies are left at year-end will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view of the financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in reconciliations that is a part of the fund financial statements.

The School adopts an annual budget for its general fund, as required by the Florida Statutes. The budget is legally adopted by management of the School and its Board. A budgetary comparison schedule has been included as part of the required supplementary information. The budgetary comparison schedules show four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges and ending balances in the general fund, and 4) the variance between the final budget and the actual resources and charges.

Notes to Financial Statements

The notes to financial statements provide additional information essential to the full understanding of the information reported in the government-wide and fund financial statements. The notes to the financial statements start on page 15 of this report.

This report also includes the Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

The School's combined net position as of June 30, 2015 and 2014 is summarized as follows:

	Governmental Activities		Variances
	2015	2014	
Current and other assets	\$ 418,782	\$ 397,709	\$ 21,073
Capital assets, net	1,405	5,737	(4,332)
Total Assets	<u>420,187</u>	<u>403,446</u>	<u>16,741</u>
Current and other liabilities	<u>116,429</u>	<u>98,831</u>	<u>17,598</u>
Total Liabilities	<u>116,429</u>	<u>98,831</u>	<u>17,598</u>
Net position:			
Invested in capital assets, net of related debt	1,405	5,737	(4,332)
Restricted for:			
Capital projects	194,139	214,063	(19,924)
Unrestricted	<u>108,214</u>	<u>84,815</u>	<u>23,399</u>
Total Net Position	<u>\$ 303,758</u>	<u>\$ 304,615</u>	<u>\$ (857)</u>

The increase in current assets is due the timing of cash receipts. The decrease in capital assets is a result of the current year depreciation expense exceeding capital additions. The increase in liabilities is due to an increase in amounts owed to local vendors. The decrease in total net position is due to the current year deficit.

Change in Net Position

The School's total expenses exceeded total revenues by approximately \$1,000 in fiscal 2015 — see table below.

	Governmental Activities		Variances
	2015	2014	
Revenue:			
Federal sources passed through local school district	\$ 3,805	\$ -	\$ 3,805
State and local sources	2,172,554	2,293,560	(121,006)
	-	10,000	(10,000)
Total revenues	<u>2,176,359</u>	<u>2,303,560</u>	<u>(127,201)</u>
Expenses:			
Instruction	734,401	732,861	1,540
Pupil personnel services	49,056	70,565	(21,509)
Instructional media services	-	3,925	(3,925)
Instructional development	-	12,176	(12,176)
Board	42,429	37,693	4,736
General administration	147,427	111,187	36,240
School administration	437,627	294,463	143,164
Fiscal services	295,572	208,429	87,143
Food services	-	1,000	(1,000)
Central services	-	9,366	(9,366)
Operation of plant	470,704	449,577	21,127
Total expenses	<u>2,177,216</u>	<u>1,931,242</u>	<u>245,974</u>
Change in net position	<u>\$ (857)</u>	<u>\$ 372,318</u>	<u>\$ (373,175)</u>

The decrease in state and local sources is due to an overall decrease in student population.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund balance of \$302,353.

General Fund Budgetary Highlights

During the fiscal year, the School did not amend its budget. Generally, budget amendments fall into one of the three categories: 1) amendments made to adjust the estimates used to prepare the original budget once exact information is available, 2) amendments made to recognize changes in funding amounts, and 3) changes in appropriations that become necessary to maintain services.

In the general fund, total budgeted revenues were consistent actual amounts. Actual expenditures were approximately \$8,000 less than budgeted amounts.

CAPITAL ASSET

At the end of fiscal 2015, the School invested \$1,405 in capital assets, net of accumulated depreciation of \$124,789.

As of June 30, 2015 and 2014 comparative information regarding the School's capital assets is as follows:

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2015</u>	<u>2014</u>	<u>(Decreases)</u>
Leasehold improvements	\$ 38,751	\$ 38,751	\$ -
Furniture, fixtures and equipment	87,443	87,443	-
Less-accumulated depreciation	(124,789)	(120,457)	(4,332)
Total capital assets	\$ <u>1,405</u>	\$ <u>5,737</u>	\$ <u>(4,332)</u>

This year the school had no major capital asset additions.

More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budget Highlights for the Fiscal Year Ending June 30, 2016

Amounts available for appropriation in the general fund are approximately \$2.1 million, an increase of approximately \$127,000 from the actual 2015. The change is contributed to an increase in student enrollment.

Budgeted expenditures are expected to increase to approximately \$2.1 million from the fiscal 2015 actual amount. If these estimates are realized, the School's general fund balance is expected to increase slightly at the conclusion of fiscal 2016.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 150 North Radnor Chester Road Suite F-200 Radnor, PA 19087.



M^cCRADY | HESS
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors on Basic Financial Statements and Supplementary Information

To the Board of Directors of Richard Milburn Academy of Florida, Inc –
Richard Milburn Academy of Volusia County, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Richard Milburn Academy of Florida, Inc. - Richard Milburn Academy of Volusia County, a Charter School and Component Unit of the District School Board of Volusia County, Florida, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-6 and 24 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 16, 2015, 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 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.

MC CRADY HESS

Maitland, Florida
September 16, 2015

2600 Lake Lucien Drive, Suite 405 ■ Maitland, FL 32751

Office 407-478-4020 ■ Fax 407-478-4021 ■ cpa@mccradyhess.com ■ www.mccradyhess.com

Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

Statement of Net Position

June 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 294,508
Due from other agencies	11,006
Due from related party	83,565
Other assets	29,703
Capital assets:	
Leasehold improvements	38,751
Furniture, fixtures and equipment	87,443
Less accumulated depreciation	<u>(124,789)</u>
Total capital assets, net	<u>1,405</u>
Total assets	<u><u>\$ 420,187</u></u>
Liabilities	
Accounts payable and accrued expenses	<u>\$ 116,429</u>
Total liabilities	<u>116,429</u>
Net Position	
Invested in capital assets, net of related debt	1,405
Restricted for:	
Capital projects	113,395
Unrestricted	<u>188,958</u>
Total net position	<u><u>\$ 303,758</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

Statement of Activities

June 30, 2015

	<u>Program Specific Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction	\$ 734,401	\$ -	\$ 3,805	\$ -	\$ (730,596)	\$ (730,596)
Pupil personnel services	49,056	-	-	-	(49,056)	(49,056)
Board	42,429	-	-	-	(42,429)	(42,429)
General administration	147,427	-	-	-	(147,427)	(147,427)
School administration	437,627	-	-	-	(437,627)	(437,627)
Fiscal services	295,572	-	-	-	(295,572)	(295,572)
Operation of plant	470,704	-	-	151,732	(318,972)	(318,972)
Total primary government	\$ 2,177,216	\$ -	\$ 3,805	\$ 151,732	(2,021,679)	(2,021,679)
General revenues:						
State and local sources					2,020,822	2,020,822
Total general revenues					2,020,822	2,020,822
Changes in net position					(857)	(857)
Net position at beginning of year					304,615	304,615
Net position at end of year					\$ 303,758	\$ 303,758

The accompanying notes to financial statements are an integral part of this statement.

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

Balance Sheet - Governmental Fund

June 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 181,113	\$ 113,395	\$ 294,508
Due from other agencies	247	10,759	11,006
Due from related parties	83,565	-	83,565
Due from capital projects fund	10,759	-	10,759
Other assets	29,703	-	29,703
	\$ 305,387	\$ 124,154	\$ 429,541
Total assets	\$ 305,387	\$ 124,154	\$ 429,541
Liabilities			
Accounts payable and accrued expenses	\$ 116,429	\$ -	\$ 116,429
Due to general fund	-	10,759	10,759
	116,429	10,759	127,188
Total liabilities	116,429	10,759	127,188
Fund Balance			
Nonspendable:			
Deposits	15,759	-	15,759
Prepaid expenses	13,944	-	13,944
Restricted for:			
Capital projects	-	113,395	113,395
Spendable:			
Unassigned	159,255	-	159,255
	188,958	113,395	302,353
Total fund balance	188,958	113,395	302,353
Total liabilities and fund balance	\$ 305,387	\$ 124,154	\$ 429,541

The accompanying notes to financial statements are an integral part of this statement.

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position**

June 30, 2015

Total fund balance - governmental funds \$ 302,353

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the capital assets are \$126,194 and the accumulated depreciation is \$124,789.

1,405

Statement of net position - governmental activities \$ 303,758

The accompanying notes to financial statements are an integral part of this statement.

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

**Statement of Revenues, Expenditures and
Change in Fund Balance of Governmental Funds**

For the Year Ended June 30, 2015

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal sources passed through local school district	\$ -	\$ -	\$ 3,805	3,805
State and local sources	2,020,822	151,732	-	2,172,554
Total revenues	2,020,822	151,732	3,805	2,176,359
Expenditures				
Current:				
Instruction	730,596	-	3,805	734,401
Pupil personnel services	49,056	-	-	49,056
Board	42,429	-	-	42,429
General administration	143,095	-	-	143,095
School administration	437,627	-	-	437,627
Fiscal services	295,572	-	-	295,572
Operation of plant	276,565	194,139	-	470,704
Total expenditures	1,974,940	194,139	3,805	2,172,884
Net change in fund balance	45,882	(42,407)	-	3,475
Fund balance at beginning of year	143,076	155,802	-	298,878
Fund balance at end of year	\$ 188,958	\$ 113,395	\$ -	\$ 302,353

The accompanying notes to financial statements are an integral part of this statement.

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds
to the Statement of Activities**

For the Year Ended June 30, 2015

Net changes in fund balance - general fund	\$	3,475
---	-----------	--------------

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 and reported as depreciation expense. This is the amount by which depreciation expense (\$4,332) in the current period.

(4,332)

Change in net position of governmental activities

\$ (857)

The accompanying notes to financial statements are an integral part of this statement.

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

Notes to Financial Statements

For the Year Ended June 30, 2015

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Richard Milburn Academy of Florida, Inc. - Richard Milburn Academy of Volusia County, Florida (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes and the Florida Not-for-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors the ("Board"), which is composed of four members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Volusia County Florida, (the "School Board"). The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB").

Charter Contract

The School operates under a charter granted by the Volusia County School Board (the "School Board"). The current charter expires on June 30, 2018 and may be renewed for a maximum of an additional five years, unless a longer term is required by law or by mutual written agreement between the School and the School Board. Upon the expiration of the charter, the School Board may elect not to renew the charter under grounds specified in the charter. However, the School Board may terminate the current charter at any time if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board.

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions in the Florida Statutes, the School is considered as a governmental organization for financial statement reporting purposes. The School is required by its agreement with the School Board to use the governmental reporting model and follow the fund and accounting structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools – The Red Book" issued by the Florida Department of Education ("FDOE").

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

Notes to Financial Statements

(continued)

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School in a manner similar to a private-sector business. The statement of net position and statement of activities are designed to provide financial information about the School as a whole on an accrual basis of accounting. The statement of net position provides information about the School's financial position, its assets and its liabilities, using an economic resources measurement focus.

The statement of activities presents a comparison between direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those specifically associated with a program or function, therefore, are clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of goods and services offered by the program, grants and contributions that are restricted for meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Fund Financial Statements

The governmental fund financial statements report detailed information about the School's most significant funds, not the School as a whole. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance related requirements. Certain funds are established by law while others are created by grant agreements. The following are major individual governmental funds reported in the fund financial statements:

- General Fund – the School's primary operating fund that accounts for all financial resources of the school, except those that are required to be accounted for in another fund.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.
- Special Revenue Fund – to account for the proceeds of specific revenues sources that are restricted or committed to expenditures for a specific purpose, including all federal grant revenues passed through the School District.

For the purpose of these statements, the general and capital projects funds are considered the major funds. The special revenue fund is a non-major fund and reported as other governmental funds.

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

Notes to Financial Statements

(continued)

Basis of Accounting

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

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred, regardless of the timing the related cash flows take place.

The governmental funds basic financial statements are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenues is recognized at the time the expenditure is made.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from the acquisition of long-term debt are reported as other financing sources.

Budgetary Basis Accounting

Budgets are prepared using the modified accrual basis of accounting and the governing board must approve all budgets and amendments. During the fiscal year, expenditures were controlled at the object level. Budgets may be amended by resolution of the Board prior to the date of the annual report.

Cash and Cash Equivalents

The School's cash and cash equivalents consist primarily of demand deposits with financial institutions.

The School maintains its cash accounts in a financial institution subject to insurance coverage issued by the Federal Deposit Insurance Corporation ("FDIC"). Under FDIC rules, the Company is entitled to aggregate coverage of \$250,000 per account type per separate legal entity per financial institution. As of June 30, 2015, the Company's cash balances exceeded FDIC coverage by approximately \$148,000. The School's cash accounts make-up approximately 85% of the Company's total cash and cash equivalents. Investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

Notes to Financial Statements

(continued)

Capital Assets and Depreciation

The School's capital assets with useful lives of more than one year are stated at historical cost and reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value on the date donated. The School capitalizes assets with a cost of \$750 or more. Expenditures of normal maintenance and repair that do not add to the asset value or extend the useful life are not capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

	<u>Years</u>
Leasehold improvements	5
Furniture, fixtures and equipment	3 – 5

Information related to the change in capital assets is described in Note 3.

Net Position and Fund Balance Classifications

Government-wide financial statements

The net position is classified and reported in three components:

- Investment 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 specifically attributed to the acquisition or improvement of those assets.
- Restricted – consists of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments. As of June 30, 2015, the School did not have any restricted amounts.
- Unrestricted – all other amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

Notes to Financial Statements

(continued)

Fund financial statements

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

- Nonspendable – fund balance 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 assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

This statement also clarifies the definition of the special revenue fund to denote it may be used to account for the proceeds of specific revenue sources (other than trusts for individual, private organizations or other governmental agencies or for major capital projects) legally restricted to expenditures for specified purposes.

Order of Fund Balance Spending Policy

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

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

Notes to Financial Statements

(continued)

Revenue Sources

Revenues for operations are received primarily from the School Board, 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 reports the number of full-time equivalent (FTE) students and related data to the School Board. The School Board receives a 5% administrative fee from the School, which is withheld from the respective FEFP payments. The administrative expense is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. The administrative fee is calculated on the FEFP revenue up to 250 students.

Under provisions of Section 1011.62, Florida Statutes, the School Board reports the number of students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey period. The FDOE may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Generally, such adjustments are treated as reductions or additions of revenues in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the year ended June 30, 2015, the School reported 342.75 unweighted FTE.

The School received additional funding under other federal and state grants. This assistance is generally received based on applications submitted to various granting agencies. For federal and state grants in which funding is awarded based on incurring eligible expenditures, revenue is recognized as the amount of eligible expenditures have been incurred.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures.

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

Notes to Financial Statements

(continued)

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

2 DUE FROM OTHER AGENCIES

Due from other agencies included in the accompanying financial statements includes \$10,759 in capital outlay funds receivable from the School Board. Based on the sources of funds, management has evaluated the collectability and an allowance for doubtful accounts is not considered necessary.

3 CAPITAL ASSETS

Capital asset activity during the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets:				
Leasehold improvements	\$ 30,253	\$ -	\$ -	\$ 30,253
Furniture, fixtures and equipment	95,941	-	-	95,941
Total capital assets	<u>126,194</u>	<u>-</u>	<u>-</u>	<u>126,194</u>
Accumulated depreciation:				
Leasehold improvements	(28,638)	(1,615)	-	(30,253)
Furniture, fixture and equipment	(91,819)	(2,717)	-	(94,536)
Total accumulated depreciation	<u>(120,457)</u>	<u>(4,332)</u>	<u>-</u>	<u>(124,789)</u>
Capital assets, net	<u>\$ 5,737</u>	<u>(4,332)</u>	<u>-</u>	<u>\$ 1,405</u>
Depreciation expense:				
Instruction			\$ 4,332	
Total governmental activities depreciation expense			<u>\$ 4,332</u>	

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

Notes to Financial Statements

(continued)

4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

The following is a schedule of state and local revenue sources:

District School Board of Volusia County, Florida:

Florida Education Finance Program	\$ 1,353,913
Class size reduction	302,552
Capital outlay funding	151,732
ESE guaranteed allocation	117,026
Discretionary local efforts	106,956
Supplemental academic instruction	89,801
Instructional materials	25,718
Discretionary millage	22,244
Safe school	8,319
Teacher lead	3,444
School Reading Allocation	1,715
Discretionary lottery	1,121
Proration to funds available	<u>(11,987)</u>
Total	<u>\$ 2,172,554</u>

The administrative fee paid to the School Board during the year ended June 30, 2015 totaled approximately \$74,000, and is included as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

5 RELATED PARTY TRANSACTIONS

During the course business, expenses and payroll, which apply to both the School and other related parties entities or schools, may be paid by a single entity. Also, schools with surplus funds may pay expenses on behalf of other related entities or schools. The School tracks these amounts due to or from each related entity or school separately. Amounts due from related parties as of June 30, 2015 totaled approximately \$83,000 and is included in due to related parties in the accompanying statement of net position and balance sheet - governmental funds.

6 RISK MANAGEMENT PROGRAM

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

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

Notes to Financial Statements

(continued)

Legal Matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

Lease Commitments

April 2010 the Company entered into a lease with Masonova, LLC for the Daytona location. The term of the lease is five years commencing August 1, 2010 and ending July 31, 2014 with two five year options to renew. The rent expense per month is \$9,283 for fiscal year 2015. The lease requires that the School pays common area maintenance charges and maintains insurance coverage.

March 2009 the Company entered into a lease with Deland Church of the Nazarene for the Deland location and extended the lease until June 30, 2015. The rent expense per month is \$5,903 for fiscal year 2015. The lease requires that the School pays electric, water and janitorial expenses and maintains insurance coverage.

The Company has entered into lease agreements for the facilities used by the School. Facilities lease rental expense for the year ended June 30, 2015 totaled approximately \$194,000 and is included in operation of plant expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balance – governmental funds.

7 INCOME TAXES

The Company qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. Tax years 2011, 2012 and 2013 are open for examination by tax authorities.

8 SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 16, 2015, which is the date the financial statements were available to be issued.

**RICHARD MILBURN ACADEMY OF FLORIDA, INC.
RICHARD MILBURN ACADEMY OF VOLUSIA COUNTY**

**A Charter School and Component Unit of the
District School Board of Volusia County, Florida**

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State and local sources	\$ 2,021,302	\$ 2,021,302	\$ 2,020,822	\$ (480)
Total revenues	2,021,302	2,021,302	2,020,822	(480)
Expenditures				
Current:				
Instruction	822,542	822,542	730,596	91,946
Pupil personnel services	87,423	87,423	49,056	38,367
Board	-	-	42,429	(42,429)
General administration	74,768	74,768	143,095	(68,327)
School administration	554,221	554,221	437,627	116,594
Fiscal services	220,090	220,090	295,572	(75,482)
Operation of plant	224,508	224,508	276,565	(52,057)
Total expenditures	1,983,552	1,983,552	1,974,940	8,612
Net change in fund balances	37,750	37,750	45,882	(9,092)
Fund balance at beginning of year	143,076	143,076	143,076	429,228
Fund balance at end of year	<u>\$ 180,826</u>	<u>\$ 180,826</u>	<u>\$ 188,958</u>	<u>\$ 420,136</u>

See report of independent auditors.



M^cCRADY | HESS
CERTIFIED PUBLIC ACCOUNTANTS

**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 Richard Milburn Academy of Florida, Inc. –
Richard Milburn Academy of Volusia County, 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 funds for the of Richard Milburn Academy of Florida, Inc. - Richard Milburn Academy of Volusia County, Florida, as of and for the year ended June 30, 2015, 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 16, 2015.

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 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.

This report is intended solely for the information and use of management of the School, the District School Board of Volusia County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.



Maitland, Florida
September 16, 2015

**Additional Information Required by
Rules of the Auditor General,
Chapter 10.850, *Audits of Charter Schools
and Similar Entities***



M^cCRADY | HESS
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of Richard Milburn Academy of Florida, Inc. –
Richard Milburn Academy of Volusia County, Florida.

Report on the Financial Statements

We have audited the financial statements of Richard Milburn Academy of Florida, Inc. - Richard Milburn Academy of Volusia County, Florida (the “School”) as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated September 16, 2015.

Auditor’s Responsibility

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

Other Reporting Required by Government Auditing Standards

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.

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. Prior year findings 2014-01, 2014-02 and 2014-03 were all corrected.

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 Richard Milburn Academy of Florida, Inc.

Financial Condition

Sections 10.854(1)(e)2. Rules of the Auditor General, requires 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 Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we 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, applicable management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "MCCRADY HESS". The letters are cursive and somewhat stylized.

Maitland, Florida
September 16, 2015

2600 Lake Lucien Drive, Suite 405 ■ Maitland, FL 32751

Office 407-478-4020 ■ Fax 407-478-4021 ■ cpa@mccradyhess.com ■ www.mccradyhess.com

Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants