

**University Preparatory Academy
Palm Beach**

A Division of University Preparatory
Academies, Inc.

Basic Financial Statements
For the Year Ended June 30, 2016

University Preparatory Academy Palm Beach

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
University Preparatory Academy Palm Beach
(a division of University Preparatory Academies, Inc.)
West Palm Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, of University Preparatory Academy Palm Beach (the "School"), a division of University Preparatory Academies, Inc., as of and for the year ended June 30, 2016, 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 and each major fund of the School, as of June 30, 2016, 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

Reporting entity: 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 and each major fund of University Preparatory Academies, Inc. that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of University Preparatory Academies, Inc. as of June 30, 2016, and the changes in its financial position or budgetary comparisons, where applicable, for the year ended June 30, 2016 in conformity with accounting principles generally accepted in the United States of America.

Financial condition/deficits: The School has reported several deficits in the accompanying financial statements. On the statement of net position and the governmental funds balance sheet the School has reported deficits of \$ 14,380 and \$ 243,080, respectively. Also net deficits recorded as changes in net position and fund balances for the year are \$ 24,380 and \$ 253,080 respectively. Management plans regarding these deficits are included in Note 8 of the financial statements.

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 and the Schedules of Revenues and Expenditures on pages 20 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, 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 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of University Preparatory Academy Palm Beach (the "School"), a division of University Preparatory Academies, 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 year ended June 30, 2016. Since it is the first year of operations, prior year comparative information is not available. Comparative information will be provided in future years.

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.

- The School's total liabilities exceeded its assets by \$ 14,380 (net deficit).
- The School's total revenues were \$ 1,453,107, including \$ 616,703 from entitlements and \$ 781,542 from local sources. The School's expenses for this year were \$ 1,477,487.

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 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 financial statements can be found on pages 7 and 8 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 financial statements, governmental fund 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 balance 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 and Special Revenue 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 12 of this report.

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 13 through 19 of this report.

Government-Wide Financial Analysis

The School's net position (deficit) was \$ (14,380) at June 30, 2016. Of this amount, \$ (235,753) represents unrestricted net position (deficit) and \$ 221,373 represents net investment in capital assets.

**University Preparatory Academy Palm Beach
Management's Discussion and Analysis
June 30, 2016**

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

University Preparatory Academy Palm Beach
Changes in Net Position

		June 30, 2016
Assets:		
Current and other assets	\$	75,197
Capital assets, net of depreciation		221,373
Total assets		296,570
Liabilities:		
Current liabilities		310,950
Total liabilities		310,950
Net Position (deficit):		
Net investment in capital assets		221,373
Unrestricted (deficit)		(235,753)
Total net position (deficit)	\$	(14,380)

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, 2016:

University Preparatory Academy Palm Beach
Changes in Net Position

		June 30, 2016
Revenues:		
General revenues	\$	1,398,245
Program revenues		54,862
Total revenues		1,453,107
Functions/Program Expenses:		
Instruction		517,915
Instructional support services		243,098
Non-instructional services		716,474
Total governmental activities		1,477,487
Change in net position	\$	(24,380)

**University Preparatory Academy Palm Beach
Management’s Discussion and Analysis
June 30, 2016**

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>	2016	
	<u>Expenditures</u>	<u>Percent</u>
Governmental expenditures:		
Plant operations and maintenance	605,809	35.51%
Instructional expenditures	\$ 517,915	30.36%
Capital outlay	267,003	15.65%
Administrative services	220,057	12.90%
Transportation	55,349	3.24%
Fiscal services	39,704	2.33%
Food services	350	0.02%
	<hr/>	<hr/>
Total governmental expenditures	\$ <u>1,706,187</u>	<u>100.0%</u>

Capital Assets and Debt Administration

Capital assets: At June 30, 2016, the School had capital assets of \$ 221,373, net of accumulated depreciation, invested in leasehold improvements, computer equipment, and furniture and equipment. Additional information of the School’s capital assets is located in Note 4 to the financial statements.

Debt: At June 30, 2016, the School had no debt recorded on the books.

General Fund Budgetary Highlights

Budgets were amended to correct for actual amounts that varied from the amount originally budgeted.

Economic Factors and Next Year's Budget

The year ended June 30, 2016 was the School’s first year of operations. It was a very successful academic year and satisfactory from a financial point of view. The School plans to increase its enrollment level for the School’s year ended June 30, 2017 and invest its cost savings in technology and staff development to further enrich its students’ learning experience.

Requests for Information

If you have any questions about this report or need additional information, please write the Executive Director, 2101 N Australian Ave, West Palm Beach, FL 33407.

**BASIC
FINANCIAL STATEMENTS**

University Preparatory Academy Palm Beach
Statement of Net Position
June 30, 2016

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 2,986
Due from other governments	4,884
Deferred lease asset	7,327
Deposits	<u>60,000</u>
Total current assets	75,197
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>221,373</u>
Total assets	296,570
Liabilities:	
Accounts payable	127,042
Salaries and wages payable	66,889
Due to Network	<u>117,019</u>
Total liabilities	<u>310,950</u>
Net Position (deficit):	
Net investment in capital assets	221,373
Unrestricted (deficit)	<u>(235,753)</u>
Total net position (deficit)	\$ <u><u>(14,380)</u></u>

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

University Preparatory Academy Palm Beach
Statement of Activities
For the Year Ended June 30, 2016

	<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	\$ 517,915	\$ -	\$ 47,737	\$ -	\$ (470,178)
School administration	243,098	-	-	-	(243,098)
Operation of plant	588,523	-	-	-	(588,523)
Maintenance of plant	10,933	-	-	-	(10,933)
Pupil transportation services	55,349	-	7,125	-	(48,224)
Food services	350	-	-	-	(350)
Fiscal services	39,393	-	-	-	(39,393)
Central services	21,926	-	-	-	(21,926)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	\$ <u>1,477,487</u>	\$ <u>-</u>	\$ <u>54,862</u>	\$ <u>-</u>	<u>(1,422,625)</u>
General revenues:					
FTE nonspecific revenues					616,703
Local sources					<u>781,542</u>
					<u>1,398,245</u>
					Change in net position
					(24,380)
					<u>10,000</u>
					Net position, July 1, 2015
					<u>\$ (14,380)</u>
					Net position (deficit), June 30, 2016

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

University Preparatory Academy Palm Beach
 Balance Sheet - Governmental Funds
 June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 2,986	\$ -	\$ 2,986
Due from other governments	-	4,884	4,884
Due from other funds	4,884	-	4,884
Deposits	60,000	-	60,000
	<u>67,870</u>	<u>4,884</u>	<u>72,754</u>
Total assets	\$ <u>67,870</u>	\$ <u>4,884</u>	\$ <u>72,754</u>
Liabilities:			
Accounts payable	\$ 127,042	\$ -	\$ 127,042
Salaries and wages payable	66,889	-	66,889
Due to other schools	117,019	-	117,019
Due to other funds	-	4,884	4,884
	<u>310,950</u>	<u>4,884</u>	<u>315,834</u>
Total liabilities	<u>310,950</u>	<u>4,884</u>	<u>315,834</u>
Fund Balances (deficit):			
Nonspendable:			
Deposits	60,000	-	60,000
Unassigned (deficit)	(303,080)	-	(303,080)
	<u>(243,080)</u>	<u>-</u>	<u>(243,080)</u>
Total fund balances (deficit)	<u>(243,080)</u>	<u>-</u>	<u>(243,080)</u>
Total liabilities and fund balances (deficit)	\$ <u>67,870</u>	\$ <u>4,884</u>	\$ <u>72,754</u>

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

**University Preparatory Academy Palm Beach
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2016**

Total Fund Balances (deficit) - Governmental Funds \$ (243,080)

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

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

Cost of capital assets	\$	267,003	
Less accumulated depreciation		<u>(45,630)</u>	221,373

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 lease asset		<u>7,327</u>	<u>7,327</u>
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Net Position (deficit) of Governmental Activities \$ (14,380)

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

**University Preparatory Academy Palm Beach
Statement of Revenues, Expenditures and
Change in Fund Balances - Governmental Funds
For the Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Revenues:			
Federal sources	\$ -	\$ 47,737	\$ 47,737
State sources	623,828	-	623,828
Local sources	781,542	-	781,542
	<u>1,405,370</u>	<u>47,737</u>	<u>1,453,107</u>
Total revenues			
	<u>1,405,370</u>	<u>47,737</u>	<u>1,453,107</u>
Expenditures:			
Instruction	470,178	47,737	517,915
School administration	220,057	-	220,057
Operation of plant	595,850	-	595,850
Maintenance of plant	9,959	-	9,959
Pupil transportation services	55,349	-	55,349
Food services	350	-	350
Fiscal services	39,393	-	39,393
Central services	311	-	311
Capital outlay	267,003	-	267,003
	<u>1,658,450</u>	<u>47,737</u>	<u>1,706,187</u>
Total expenditures			
	<u>1,658,450</u>	<u>47,737</u>	<u>1,706,187</u>
Net change in fund balance	(253,080)	-	(253,080)
Fund Balances, July 1, 2015	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Fund Balances (deficit), June 30, 2016	<u>\$ (243,080)</u>	<u>\$ -</u>	<u>\$ (243,080)</u>

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

**University Preparatory Academy Palm Beach
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances
 of the Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ (253,080)

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 provision for depreciation.

Cost of capital assets	\$	267,003	
Less provision for depreciation		<u>(45,630)</u>	221,373

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 lease expense			<u>7,327</u>
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Change in Net Position of Governmental Activities \$ (24,380)

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

Note 1 - Organization and Operations

University Preparatory Academy Palm Beach, (the "School"), a division of University Preparatory Academies, Inc. (the network) was established as a public charter school for students from kindergarten to eighth grade in Palm Beach County as a Florida nonprofit corporation. As of June 30, 2016, 83 students were enrolled in the School.

The basic financial statements of the School, a division of University Preparatory Academies, Inc., present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present the financial position of the University Preparatory Academies, Inc. as of June 30, 2016 and its changes in financial position where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Subsequent to year end an entity titled University Preparatory Academy Palm Beach, Inc., was formed. The Charter was assigned to this entity. All activities of the school are now operated out of this entity effective July 2016.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring school district, the Palm Beach County Public School District. The current charter is effective until June 30, 2019, and may be renewed by mutual written agreement between the School and the sponsor. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the School Board of Palm Beach County.

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 reporting entity's 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(9), Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide 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 fund). 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.

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.

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 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 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 these institutions, 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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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 and includes a 5% administration fee retained by the School Board. This funding is received on a prorata 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 University Preparatory Academies, Inc. which has qualified as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and is exempt from income tax. Accordingly, no tax provision has been made in the accompanying 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 an initial cost of \$ 1,000. Donated property and equipment assets are valued at the estimated fair market 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 assets is provided on the straight-line basis over the estimated useful lives as follows:

Property improvements	15 years
Furniture and equipment	5 years
Computer equipment	3 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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

- Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any 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.
- 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Operating leases: Rental expense is recognized on a straight-line basis.

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: The School has evaluated subsequent events through September 30, 2016, which is the date that the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

At June 30, 2016, the carrying amount of the deposits and cash on hand totaled \$ 2,986 with a bank balance of \$ 21,704.

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. They are covered by the collateral pool as the School has identified itself as a public entity at June 30, 2016.

Note 4 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2016 are as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets, depreciable:				
Property improvements	\$ -	\$ 16,697	\$ -	\$ 16,697
Computer equipment	-	182,643	-	182,643
Furniture and equipment	-	67,663	-	67,663
	<u>-</u>	<u>267,003</u>	<u>-</u>	<u>267,003</u>
Total capital assets, depreciable	<u>-</u>	<u>267,003</u>	<u>-</u>	<u>267,003</u>
Accumulated depreciation:				
Property improvements	-	974	-	974
Computer equipment	-	23,041	-	23,041
Furniture and equipment	-	21,615	-	21,615
	<u>-</u>	<u>45,630</u>	<u>-</u>	<u>45,630</u>
Total accumulated depreciation	<u>-</u>	<u>45,630</u>	<u>-</u>	<u>45,630</u>
Net capital assets	<u>\$ -</u>	<u>\$ 221,373</u>	<u>\$ -</u>	<u>\$ 221,373</u>

Note 4 - Capital Assets (continued)

Provision for depreciation was charged to governmental activities as follows:

Central services	\$	21,615
Maintenance		24,015
	\$	<u>45,630</u>

Note 5 - Commitments and Contingencies

Grant agreements: The School received financial assistance from federal, state, and local governmental and other not-for-profit agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. In accordance with Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the Florida Single Audit Act, the School is not required to conduct “single audits” since the required threshold for federal awards and state financial assistance is currently \$750,000 and \$ 500,000, respectively and the School did not exceed either threshold.

Management agreement: The School has a formal agreement with Charter School Services Corporation (“CSSC”) for accounting and finance services. The agreement states that CSSC will receive \$ 100 per student based on the School’s annual overall enrollment.

For the year ended June 30, 2016, the amount of compensation received by CSSC was approximately \$ 8,200, which represented compensation for accounting and financial services for the School.

Lease agreement: The School entered into a lease for its operating facilities. The lease agreement became expires on June 30, 2035. Monthly lease payments of approximately \$ 12,500 are required for the first year and escalate based on agreed upon amounts through 2035.

Rent expense is recognized on a straight line basis. The difference between the base rent payments made and the amount of rent expense recognized is included in deferred lease liability (asset) and totaled, in the aggregate, approximately \$ (7,327). Rent expense in connection with this agreement totaled approximately \$ 380,000 for the year ended June 30, 2016.

The annual activity for the accrued rent balance is as follows for the fiscal years ended June 30:

For the Year Ended June 30,	Full Accrual Basis- Rent Expense	Modified Accrual Basis - Rent Expense	Changes in Outstanding Liability (Asset)
2017	\$ 380,373	\$ 198,900	\$ 181,473
2018	\$ 380,373	\$ 285,600	\$ 94,773
2019	\$ 380,373	\$ 372,300	\$ 8,073
2020	\$ 380,373	\$ 462,400	\$ (82,027)
2021	\$ 380,373	\$ 418,450	\$ (38,077)
Thereafter	\$ 5,325,222	\$ 5,482,110	\$ (156,888)

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

Note 6 - Risk Financing

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 have been no claims in excess of insurance coverage limits during the past three years.

Note 7 – Related Party Transactions

The School is a division of the Network (Note 1). As of June 30, 2016 the School owes \$ 117,019 to the Network. In addition \$ 524,631 was contributed to the School from the Network.

Note 8 - Deficits

The School recorded a deficit fund balance of \$ 243,080 as of June 30, 2016 that includes a loss for the current fiscal year of \$ 253,080 on the fund level financial statements. In addition, the Schools net position is a deficit of \$ 14,380 which also includes a loss of \$ 24,380 for the current year on the government wide financial statements. The fund balance deficit was primarily the result of initial capital expenditure investments the school believes will be recuperated over the next several years. The School's management and the Board of directors are aware of these facts. In addition, the School also has the continued support from their parent network along with certain funders.

University Preparatory Academy Palm Beach
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State sources	\$ 658,305	\$ 623,828	\$ 623,828	\$ -
Local sources	862,500	781,542	781,542	-
	<u>1,520,805</u>	<u>1,405,370</u>	<u>1,405,370</u>	<u>-</u>
Expenditures:				
Instruction	799,034	470,178	470,178	-
School administration	166,500	220,057	220,057	-
Operation of plant	187,700	595,850	595,850	-
Pupil transportation services	95,000	55,349	55,349	-
Maintenance of plant	30,000	9,959	9,959	-
Food services	10,260	350	350	-
Fiscal services	79,915	39,393	39,393	-
Central services	-	311	311	-
Capital outlay	84,450	267,003	267,003	-
	<u>1,452,859</u>	<u>1,658,450</u>	<u>1,658,450</u>	<u>-</u>
Net change in fund balance	<u>\$ 67,946</u>	<u>\$ (253,080)</u>	<u>\$ (253,080)</u>	<u>\$ -</u>

University Preparatory Academy Palm Beach
Schedule of Revenues and Expenditures
Budget and Actual - Special Revenue Fund
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Federal	\$ 34,425	\$ 47,737	\$ 47,737	\$ -
Total revenues	<u>34,425</u>	<u>47,737</u>	<u>47,737</u>	<u>-</u>
Expenditures:				
Instruction	<u>34,425</u>	<u>47,737</u>	<u>47,737</u>	<u>-</u>
Total expenditures	<u>34,425</u>	<u>47,737</u>	<u>47,737</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER REPORTS OF
INDEPENDENT AUDITORS

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
University Preparatory Academy Palm Beach
(a division of University Preparatory Academies, Inc.)
Palm Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of University Preparatory Academy Palm Beach (the "School"), a division of University Preparatory Academies, Inc., as of and for the year ended June 30, 2016, 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 30, 2016.

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 30, 2016

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
University Preparatory Academy Palm Beach
(a division of University Preparatory Academies, Inc.)
Palm Beach, Florida

Report on the Financial Statements

We have audited the financial statements of University Preparatory Academy Palm Beach the "School", a division of University Preparatory Academies, Inc., as of and for the year ended June 30, 2016, and have issued our report thereon dated September 30, 2016.

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 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 Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 30, 2016, 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. Since this is the initial year of operations, 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 School is University Preparatory Academy Palm Beach (a division of University Preparatory Academies, 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 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 30, 2016