

**SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY**

**INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY
INFORMATION**

JUNE 30, 2018

**P&M PELLEGRINO &
McFARLAND P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sarasota Academy of the Arts, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund, Capital Project Fund, and Fiduciary Fund of Sarasota Academy of the Arts, Inc. (the Charter School), a Charter School and component unit of the School Board of Sarasota County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Sarasota Academy of the Arts, Inc.'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 auditors' 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 auditors consider 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, the General Fund, Capital Project Fund, and Fiduciary Fund of Sarasota Academy of the Arts, Inc., as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows 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 on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2018, on our consideration of Sarasota Academy of the Arts, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sarasota Academy of the Arts, Inc.'s internal control over financial reporting and compliance.



Sarasota, Florida
November 8, 2018

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2018
(UNAUDITED)

The following pages represent Management’s Discussion and Analysis (MD&A) of Sarasota Academy of the Arts, Inc. (the Charter School). It depicts and reviews the financial picture and activities of the Charter School as of and for the year ended June 30, 2018.

The intent of this MD&A is to present a picture and assessment of the Charter School’s financial performance in an effort to more clearly demonstrate to readers the results of this year’s financial operations. Readers should also review the basic financial statements and notes to enhance their understanding of the Charter School’s financial performance.

Using the Financial Statements

This financial report includes a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the Charter School as a financial whole, or as an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the Charter School as a whole, presenting both an aggregate view of the Charter School’s finances and a longer-term view of those finances. The Governmental Fund statements show how services were financed in the short-term as well as what financial resources remain for future spending.

Financial Highlights

Statement of Net Position

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>
Current and other assets	\$ 366,541	\$ 284,365	\$ 82,176
Capital assets	<u>701,499</u>	<u>664,846</u>	<u>36,653</u>
Total Assets	<u>\$ 1,068,040</u>	<u>\$ 949,211</u>	<u>\$ 118,829</u>
Current liabilities	\$ 122,090	\$ 131,063	\$ (8,973)
Noncurrent liabilities	<u>294,209</u>	<u>320,751</u>	<u>(26,542)</u>
Total Liabilities	<u>\$ 416,299</u>	<u>\$ 451,814</u>	<u>\$ (35,515)</u>
Net investment in capital assets	\$ 406,637	\$ 357,680	\$ 48,957
Restricted	99,485	99,222	263
Unrestricted	<u>145,619</u>	<u>40,495</u>	<u>105,124</u>
Total Net Position	<u>\$ 651,741</u>	<u>\$ 497,397</u>	<u>\$ 154,344</u>

Total Assets increased by 13% due to investments in capital assets and increase in balance of cash and cash equivalents at year end.

Liabilities decreased by 8% due primarily to the principal payments on the note payable and payouts of compensated absences.

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018
(UNAUDITED)

Statement of Activities

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues			
Program revenues			
Operating grants and contributions	\$ 10,065	\$ 10,514	\$ (449)
General revenues			
Local	2,378,985	2,132,379	246,606
Investment income	262	696	(434)
Total revenues	<u>2,389,312</u>	<u>2,143,589</u>	<u>245,723</u>
Expenses			
Instruction	1,207,581	1,241,795	(34,214)
Pupil personnel services	17,185	22,452	(5,267)
Instructional media services	2,387	3,444	(1,057)
Instructional staff training	1,300	7,284	(5,984)
Instruction-related technology	55,278	49,741	5,537
Board	150	50	100
General administration	95,953	92,132	3,821
School administration	419,972	371,751	48,221
Facilities acquisition and construction	14,984	13,173	1,811
Fiscal services	49,745	62,097	(12,352)
Food services	28,595	22,732	5,863
Pupil transportation services	45,096	33,741	11,355
Operation of plant	137,352	135,828	1,524
Maintenance of plant	107,975	98,552	9,423
Community services	31,170	32,355	(1,185)
Debt service	20,245	10,611	9,634
Total expenses	<u>2,234,968</u>	<u>2,197,738</u>	<u>37,230</u>
Change in net position	154,344	(54,149)	208,493
Net position, beginning of year	<u>497,397</u>	<u>551,546</u>	<u>(54,149)</u>
Net position, end of year	<u>\$ 651,741</u>	<u>\$ 497,397</u>	<u>\$ 154,344</u>

Total revenue increased by 11%.

Overall expenditures increased 2%. Increases were due to acquisition of a van and salaries/staffing. The largest concentration of expenses during the year were for the purposes of instruction (51%), school administration (18%), and operation of plant (6%).

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018
(UNAUDITED)

Capital Assets and Long-term Debt Administration

Below is a schedule of the Charter School's capital assets as of June 30, 2018 and 2017. See Note 3 to the financial statements for a detail of the activity during the fiscal year and other related information.

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Capital assets, not being depreciated			
Land	\$ 474,603	\$ 459,593	\$ 15,010
Capital assets, being depreciated			
Building and improvements	205,451	185,327	20,124
Furniture, fixtures and equipment	64,178	64,178	-
Motor vehicles	31,287	5,500	25,787
Property under capital leases	<u>5,630</u>	<u>5,630</u>	<u>-</u>
Total capital assets being depreciated	306,546	260,635	45,911
Less accumulated depreciation	<u>79,650</u>	<u>55,382</u>	<u>24,268</u>
Total capital assets being depreciated, net	<u>226,896</u>	<u>205,253</u>	<u>21,643</u>
Capital assets, net	<u>\$ 701,499</u>	<u>\$ 664,846</u>	<u>\$ 36,653</u>

Capital asset changes during the year mainly included minimal investments in improvements to land, buildings and improvements, and acquisition of a vehicle which was offset by the annual depreciation of current capital assets.

Long-term Debt

Below is a schedule of outstanding debt as of June 30, 2018 and 2017. See Note 4 to the financial statements for a detail of changes during the fiscal year and specific debt provisions.

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Notes payable	\$ <u>294,862</u>	\$ <u>307,166</u>	\$ <u>(12,304)</u>

Changes in debt during the year included payment of principal of \$12,304.

Economic Factors and the Budget

The viability and future goals of the Sarasota Academy of the Arts, Inc. are based on the continuation of conservative and creative financial management. The school's future success rests with the choice to continue prudent and conservative financial management as well as meeting and surpassing the academic and creative needs of its students.

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018
(UNAUDITED)

Request for Information

This financial report is designed to provide a general overview of the Sarasota Academy of the Arts, Inc.'s finances for those with an interest in the Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager.

For further information, contact;

Matt McHugh, Business Manager
4466 Fruitville Road
Sarasota, Florida 34232
Telephone: 941-377-2278

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

STATEMENT OF NET POSITION

June 30, 2018

<u>Assets</u>	<u>Total</u>
Current assets	
Cash and cash equivalents	\$ 248,635
Restricted cash	99,485
Accounts receivable	13,624
Prepaid items	4,797
Total current assets	<u>366,541</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation of \$79,650	<u>701,499</u>
Total Assets	<u>\$ 1,068,040</u>
<u>Liabilities and Net Position</u>	
Current liabilities	
Accounts payable	\$ 36,965
Accrued payroll liabilities	68,743
Capital leases payable, current portion	1,178
Current portion long-term debt	15,204
Total current liabilities	<u>122,090</u>
Noncurrent liabilities	
Compensated absences	14,551
Note payable	279,658
Total noncurrent liabilities	<u>294,209</u>
Total liabilities	416,299
Net position	
Investment in capital assets, net of related debt	406,637
Restricted	99,485
Unrestricted	<u>145,619</u>
Total net position	<u>651,741</u>
Total Liabilities and Net Position	<u>\$ 1,068,040</u>

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

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities				
Instruction	\$ 1,207,581	\$ 10,065	\$ -	\$ (1,197,516)
Support services				
Pupil personnel services	17,185	-	-	(17,185)
Instructional media services	2,387	-	-	(2,387)
Instructional staff training	1,300	-	-	(1,300)
Instruction-related technology	55,278	-	-	(55,278)
Board	150	-	-	(150)
General administration	95,953	-	-	(95,953)
School administration	419,972	-	-	(419,972)
Facilities acquisition and construction	14,984	-	-	(14,984)
Fiscal services	49,745	-	-	(49,745)
Food services	28,595	-	-	(28,595)
Pupil transportation services	45,096	-	-	(45,096)
Operation of plant	137,352	-	-	(137,352)
Maintenance of plant	107,975	-	-	(107,975)
Community services	31,170	-	-	(31,170)
Debt service	20,245	-	-	(20,245)
	<u>\$ 2,234,968</u>	<u>\$ 10,065</u>	<u>\$ -</u>	<u>\$ (2,224,903)</u>
Total governmental activities				
General revenues				
Local				2,378,985
Investment income				262
Total general revenues				<u>2,379,247</u>
Change in net assets				154,344
Net position, beginning of year				497,397
Net position, end of year				<u>\$ 651,741</u>

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

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 248,635	\$ -	\$ 248,635
Restricted cash	99,485	-	99,485
Accounts receivable	13,624	-	13,624
Prepaid items	<u>4,797</u>	<u>-</u>	<u>4,797</u>
 Total Assets	 \$ <u><u>366,541</u></u>	 \$ <u><u>-</u></u>	 \$ <u><u>366,541</u></u>
 <u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 36,965	\$ -	\$ 36,965
Accrued payroll liabilities	<u>68,743</u>	<u>-</u>	<u>68,743</u>
 Total liabilities	 105,708	 -	 105,708
 <u>Fund balances</u>			
Nonspendable	4,797	-	4,797
Restricted	99,485	-	99,485
Unassigned	<u>156,551</u>	<u>-</u>	<u>156,551</u>
 Total fund balances	 <u>260,833</u>	 <u>-</u>	 <u>260,833</u>
 Total Liabilities and Fund Balance	 \$ <u><u>366,541</u></u>	 \$ <u><u>-</u></u>	 \$ <u><u>366,541</u></u>

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

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2018

Total Fund Balances - Governmental Funds		\$ 260,833
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 in the governmental funds.		
Capital assets	781,149	
Less accumulated depreciation	<u>(79,650)</u>	701,499
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences	(14,551)	
Capital lease obligations	(1,178)	
Note payable	<u>(294,862)</u>	<u>(310,591)</u>
Net Position of Governmental Activities		\$ <u>651,741</u>

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

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Revenues			
Intergovernmental			
Federal through state	\$ 10,065	\$ -	\$ 10,065
State	1,469,435	41,516	1,510,951
Local	588,308	279,726	868,034
Investment income	262	-	262
Total revenues	<u>2,068,070</u>	<u>321,242</u>	<u>2,389,312</u>
Expenditures			
Education			
Instruction	1,214,192	-	1,214,192
Pupil personnel services	17,185	-	17,185
Instructional media services	1,476	-	1,476
Instructional staff training	1,300	-	1,300
Instruction-related technology	54,222	-	54,222
Board	150	-	150
General administration	95,953	-	95,953
School administration	420,594	-	420,594
Facilities acquisition and construction	2,601	-	2,601
Fiscal services	49,267	-	49,267
Food services	26,295	-	26,295
Pupil transportation	43,807	-	43,807
Operation of plant	137,048	-	137,048
Maintenance of plant	107,577	-	107,577
Community services	31,170	-	31,170
Capital outlay	60,921	-	60,921
Debt service			
Principal	14,226	-	14,226
Interest	20,245	-	20,245
Total expenditures	<u>2,298,229</u>	<u>-</u>	<u>2,298,229</u>
Excess of revenues over expenditures	(230,159)	321,242	91,083
Transfer between funds	<u>321,242</u>	<u>(321,242)</u>	<u>-</u>
Net change in fund balance	91,083	-	91,083
Fund balances, beginning of year	<u>169,750</u>	<u>-</u>	<u>169,750</u>
Fund balances, end of year	<u>\$ 260,833</u>	<u>\$ -</u>	<u>\$ 260,833</u>

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

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

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, 2018

Net change in fund balances, governmental funds	\$	91,083
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay expenditures	60,921	
Less current year depreciation	<u>(24,268)</u>	36,653

Repayment of principal is an expenditure in the governmental funds, but, the repayment reduces noncurrent liabilities in the statement of net position.

Principal repayments on notes payable and capital leases	<u>14,226</u>	14,226
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In the statement of activities, some revenues and expenses do not require the source or use of current financial resources and, therefore, are not reported as a revenue or expenditure in the governmental funds.

Noncurrent compensated absences	<u>12,382</u>	<u>12,382</u>
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Change in Net Position of Governmental Activities	\$	<u><u>154,344</u></u>
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The accompanying notes are an integral part of these financial statements.

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

BALANCE SHEET - FIDUCIARY FUNDS

June 30, 2018

<u>Assets</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ <u>8,769</u>
Total Assets	\$ <u><u>8,769</u></u>
 <u>Liabilities and Fund Balance</u>	
Liabilities	
Due to PTO	\$ 8,769
Fund balance	<u>-</u>
Total Liabilities and Fund Balance	\$ <u><u>8,769</u></u>

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

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Sarasota Academy of the Arts, Inc. (the Charter School) is a not-for-profit corporation formed on July 19, 2012, pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The governing body of the Charter School is a Board of Directors of no less than five members. The Charter School is dedicated to teaching principles of academic excellence and social responsibility to grades K-8 through involvement of students, faculty, parents, mentors, and the community. The Charter School's curriculum emphasizes the arts encouraging students to learn, think and explore by traditional and nontraditional means.

The general operating authority of the Charter School is contained in Chapter 1002.33, Florida Statutes. The Charter School operates under a charter of the sponsoring school board, the School Board of Sarasota County, Florida (the School Board). The current charter is effective until June 30, 2018, and may be renewed by mutual agreement between the Charter School and the School Board. The Charter School is considered a component unit of the School Board.

Basis of Presentation: The basic financial statements of the Charter School have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to general units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of government accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as GAAP for state and local governments.

Implementation of New Governmental Accounting Standards: The Charter School adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, *Codification of Governmental Accounting and Financial Reporting Standards*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and early implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Other than GASB Statement No. 63 and No. 65, the implementation of these standards had no significant effect on the financial statements of the Charter School.

GASB Statement No. 63 establishes new accounting and financial reporting for deferred outflows/inflows or resources and the concept of net position as the residual of all other elements presented in the Statement of Net Position. Although the Charter School does not have any deferred outflows/inflows of resources, the Statement of Net Position is presented in the new format.

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – CONTINUED

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Government-Wide and Fund Financial Statements: The Charter School's basic financial statements include both government-wide (reporting on the Charter School as a whole) and fund financial statements (reporting on the General Fund and Capital Project Fund). Both the government-wide and fund financial statements present only governmental activities. The Charter School has no business type activities.

In the government-wide Statement of Net Position, the Charter School reports on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Charter School's net position are reported in three parts (as applicable): net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function (or segment) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted grants and contributions and other items not properly included among program revenues are reported as general revenues.

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures.

The individual generic fund types in the Charter School's financial statements are governmental funds. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

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

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

Fiduciary Fund – accounts for resources of the Charter School's Internal Fund, which is used to administer monies collected by the Parent Teacher Organization, in connection with school, student athletics, class, and club activities.

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – CONTINUED

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current period. When grant terms provide that the expenditure of resources is the determining factor for eligibility for Federal, State and other grant resources, revenue is recognized at the time the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues for current operations received from the School Board of Sarasota County, Florida, pursuant to the funding provisions included in the Charter School's charter are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Charter School.

Budgetary Basis of Accounting: The annual budget was adopted on the modified accrual basis of accounting. The level of budgetary control is at the entity level. All annual appropriations lapse at fiscal year-end. For fiscal year ended June 30, 2018, appropriations exceeded expenses by \$91,083. Revisions to the annual budget are approved by the Board.

Cash Deposits: The Charter School's cash consists of demand deposits with financial institutions insured by the Federal Depository Insurance Company. The Charter School has no cash equivalents.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Receivables: All amounts due from the School Board and other receivables are deemed collectible. Therefore, no allowance has been recorded as of June 30, 2018.

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – CONTINUED

Capital Assets: Capital assets are reported in the governmental activities column in the government-wide financial statements and are not reported in the fund financial statements. Capital assets are defined by the Charter School as assets with an initial cost of more than \$750 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed or estimated historical cost when actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. All capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 39 years for buildings and improvements, and 5 to 10 years for furniture, fixtures and equipment, and 3 to 5 years for software.

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

Fund Equity: Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance: Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are classified as follows:

- Nonspendable: This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted: This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.
- Committed: This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Charter School’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Charter School removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.
- Assigned: This component consists of amounts that are constrained by the Charter School’s intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Directors.

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – CONTINUED

Fund Equity – Continued

- Unassigned: This classification represents amounts that have not been restricted, committed or assigned to a specific purpose within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance.

Net Position: Net position represent the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations. All net positions not reported as net investment in capital assets and restricted net position, are reported as unrestricted net position.

Flow Assumptions: When both restricted and unrestricted amounts of fund balance/net position are available for use for expenditures/expenses incurred, it is the Charter School's policy to use restricted amounts first, then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Revenue Sources: Revenues for current operations are received primarily from the School Board of Sarasota County pursuant to the funding provisions included in the Charter School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the Charter School reports the number of full-time equivalent (FTE) students and related data to the School Board. Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the Charter School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the Charter School during the designated full-time equivalent student survey periods.

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

Additional revenues are derived from various fund-raising activities, contributions and interest earned.

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Income Taxes: The Charter School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The Charter School's status as a tax exempt not-for-profit entity is considered a tax position subject to reporting requirements under FASB Accounting Standards Codification 740-10. Entities are required to examine all tax positions and determine if it is more likely than not that the positions would be sustained upon examination by taxing authorities. The Charter School has not recorded any accruals for uncertain income tax positions at June 30, 2018.

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

NOTE 2 – CASH

Cash: Custodial credit risk is the risk that in the event of bank failure, the Charter School's deposits may not be returned. The Charter School can mitigate this risk by depositing funds in financial institutions insured by Federal depository insurance. The deposits are insured by the FDIC up to \$250,000 per bank institution. At June 30, 2018, the carrying amount of the Charter School's deposits was \$356,889 and bank balances were \$368,050. The Charter School had uninsured balances of \$18,566 at June 30, 2018.

Restricted Cash: At June 30, 2018, the Charter School reported restricted cash in the amount of \$99,485. The School Board requires the Charter School to carry a reserve of \$200,000.

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2018</u>
Capital assets, not being depreciated				
Land	\$ 459,593	\$ 15,010	\$ -	\$ 474,603
Capital assets, being depreciated				
Buildings and improvements	185,327	20,124	-	205,451
Furniture, fixtures and equipment	64,178	-	-	64,178
Motor vehicles	5,500	25,787	-	31,287
Property under capital leases	<u>5,630</u>	<u>-</u>	<u>-</u>	<u>5,630</u>
Total capital assets being depreciated	<u>260,635</u>	<u>45,911</u>	<u>-</u>	<u>306,546</u>
Less accumulated depreciation				
Buildings and improvements	25,002	10,220	-	35,222
Furniture, fixtures and equipment	24,337	9,782	-	34,119
Motor vehicles	3,071	2,389	-	5,460
Property under capital leases	<u>2,972</u>	<u>1,877</u>	<u>-</u>	<u>4,849</u>
Total accumulated depreciation	<u>55,382</u>	<u>24,268</u>	<u>-</u>	<u>79,650</u>
Total capital assets being depreciated, net	<u>205,253</u>	<u>21,643</u>	<u>-</u>	<u>226,896</u>
Capital assets, net	\$ <u>664,846</u>	\$ <u>36,653</u>	\$ <u>-</u>	\$ <u>701,499</u>

Depreciation expense in the amount of \$24,268 for the year ended June 30, 2018, was allocated to the following functions:

Basic instruction	\$ 3,962
Instructional media services	911
School administration	2,640
Facilities acquisition and construction	12,384
Fiscal services	478
Food services	2,300
Operation of plant	304
Pupil transportation	<u>1,289</u>
Total	<u>\$ 24,268</u>

SARASOTA ACADEMY OF THE ARTS, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – NONCURRENT LIABILITIES

Activity for noncurrent liabilities for the year ended June 30, 2018 was as follows:

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Due Within <u>One Year</u>	Balance June 30, <u>2018</u>
Governmental activities					
Compensated absences	\$ 26,933	\$ -	\$ 12,382	\$ -	\$ 14,551
Capital lease payable	1,178	-	1,178	1,178	-
Note payable	<u>292,640</u>	<u>-</u>	<u>12,982</u>	<u>15,204</u>	<u>279,658</u>
Totals	\$ <u>320,751</u>	\$ <u>-</u>	\$ <u>26,542</u>	\$ <u>30,932</u>	\$ <u>294,209</u>

Long-Term Debt

The Charter School is obligated on long-term debt in the form of a \$315,000 promissory note due to Bank of the Ozarks for the purchase of land. The note is payable in monthly principal and interest installments of \$2,587 for five years, until November 17, 2021, when the final payment estimated at \$240,000 will be due. The note carries a variable interest based on U.S. Prime plus 2%. The interest rate change will not occur more often than each five years. The initial rate and the rate in effect as of June 30, 2018 was 5.5%.

The Charter School has certain loan covenants within their agreements with Bank of the Ozarks. As of June 30, 2018 these loan covenants are being met.

Future maturities of long-term debt are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 15,204	\$ 15,838	\$ 31,042
2020	16,062	14,980	31,042
2021	16,968	14,074	31,042
2022	<u>246,628</u>	<u>6,682</u>	<u>253,310</u>
Total	\$ <u>294,862</u>	\$ <u>51,574</u>	\$ <u>346,436</u>

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 – RELATED PARTY FACILITY LEASE

The Charter School entered into a new lease for administrative and classroom space under an operating lease with a related party, for an initial term of June 01, 2018 through May 31, 2023. The base monthly rent is \$7,500, with an increase of 1% annually. For the year ended June 30, 2018, total lease expense was \$73,850.

The following is a schedule of future minimum lease payments required under the current operating lease:

Fiscal Year Ending	
<u>June 30,</u>	
2019	\$ 90,000
2020	90,900
2021	91,809
2022	92,727
2023	<u>93,654</u>
Future minimum payments	<u>\$ 459,090</u>

NOTE 6 – CAPITAL LEASE

In January 2016, the Charter School entered into a capital lease agreement for computer equipment, with 36 monthly payments of \$171. The assets and liabilities under the capital lease are recorded at the lower of the present value of future minimum lease payments or the fair value of the assets. Minimum future lease payments under the lease are as follows:

Fiscal Year Ending	
June 30, 2019	\$ 1,199
Less amount representing interest	<u>21</u>
Present value of lease payments	<u>\$ 1,178</u>

NOTE 7 – EQUIPMENT LEASE AGREEMENT

In August 2017, the Charter School entered into an operating lease agreement with Dell Financial Services for computer equipment with 36 monthly payments of \$773. The lease agreement has an option to purchase the equipment at fair market value at maturity of the lease. The following is a schedule of future minimum lease payments required under the current operating lease:

Fiscal Year Ending	
<u>June 30,</u>	
2019	\$ 9,275
2020	9,275
2021	<u>773</u>
Future minimum payments	<u>\$ 19,323</u>

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – RETIREMENT PLAN

The Charter School sponsors a defined contribution pension plan that covers all full-time employees that have met certain age and service requirements. The Charter School’s contributions to the plan are \$400 the first year, \$500 the second year and \$600 the third year per participating employee. Employees are vested in the plan according to a schedule. For the year ended June 30, 2018, the Charter School’s retirement plan contributions were \$8,651.

NOTE 9 – LOCAL REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Federal through local	
IDEA grant	\$ <u>10,065</u>
Subtotal	10,065
State through local	
Base funding	1,182,815
Reading instruction	10,803
Classroom for kids	249,250
Other miscellaneous state revenue	<u>68,083</u>
Subtotal	1,510,951
Local	
Discretionary local effort	213,385
Referendum millage allocation	285,275
Local capital outlay millage funds	279,726
Extended care	73,625
Instructional materials	16,937
Grants/donations/fundraising	8,788
Other miscellaneous revenue	<u>(9,702)</u>
Subtotal	<u>868,034</u>
Total	\$ <u>2,389,050</u>

NOTE 10 – RISK MANAGEMENT PROGRAMS

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Charter School has purchased commercial insurance.

NOTE 11 – EVALUATION OF SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events through November 8, 2018 the date the financial statements were available for issuance.

As of the date of the audit, the Charter School is currently in agreement to purchase land pending loan approval.

REQUIRED SUPPLEMENTARY INFORMATION

SARASOTA ACADEMY OF THE ARTS, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2018
UNAUDITED

	Budgeted Amounts		Actual	Over / (Under)
	Original	Final		
Revenues				
Federal through local	\$ 10,000	\$ 10,000	\$ 10,065	\$ 65
State through local	1,411,293	1,452,088	1,510,951	58,863
Local	566,085	858,405	868,296	9,891
Total revenues	<u>1,987,378</u>	<u>2,320,493</u>	<u>2,389,312</u>	<u>68,819</u>
Expenses				
Instruction	1,191,500	1,213,496	1,214,192	696
Pupil personnel services	24,000	24,000	17,185	(6,815)
Instructional media services	-	5,000	1,476	(3,524)
Instructional staff training	7,000	7,000	1,300	(5,700)
Instruction-related technology	48,250	56,250	54,222	(2,028)
Board	400	-	150	150
General administration	94,544	94,544	95,953	1,409
School administration	329,050	330,300	420,594	90,294
Facility acquisition and construction	-	55,900	2,601	(53,299)
Fiscal services	59,950	58,349	49,267	(9,082)
Food services	17,900	18,700	26,295	7,595
Pupil transportation services	33,700	33,600	43,807	10,207
Operation of plant	32,900	153,942	137,048	(16,894)
Maintenance of plant	98,750	98,750	107,577	8,827
Community services	29,300	29,300	31,170	1,870
Capital outlay	-	-	60,921	60,921
Debt service	-	-	34,471	34,471
Total expenditures	<u>1,967,244</u>	<u>2,179,131</u>	<u>2,298,229</u>	<u>119,098</u>
Excess of revenues over expenditures	<u>20,134</u>	<u>141,362</u>	<u>91,083</u>	<u>(50,279)</u>
Net change in fund balance	<u>\$ 20,134</u>	<u>\$ 141,362</u>	<u>\$ 91,083</u>	<u>\$ (50,279)</u>

Notes to Required Supplementary Information:

The budget was prepared on the modified accrual basis of accounting. All annual appropriations lapse at fiscal year end.

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

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*

To the Board of Directors
Sarasota Academy of the Arts, Inc.

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 Sarasota Academy of the Arts, Inc. (the Charter School), a Charter School and component unit of the School Board of Sarasota County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated November 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sarasota Academy of the Arts, Inc.'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 Sarasota Academy of the Arts, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Sarasota Academy of the Arts, Inc.'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.

To the Board of Directors
Sarasota Academy of the Arts, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sarasota Academy of the Arts, Inc.'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.



Sarasota, Florida
November 8, 2018

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Sarasota Academy of the Arts, Inc.

Report on the Financial Statements

We have audited the financial statements of Sarasota Academy of the Arts, Inc. (the Charter School), a Charter School and component unit of the School Board of Sarasota County, as of and for the year ended June 30, 2018, and have issued our report thereon dated November 8, 2018.

Auditors' 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 10.800, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated November 8, 2018, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, as noted below under the heading *Status of Prior Year Findings and Recommendations* and *Current Year Findings and Recommendations*.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, required the name or official title of the entity. The official title of the entity is Sarasota Academy of the Arts, Inc.

To the Board of Directors
Sarasota Academy of the Arts, Inc.

Financial Condition

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we report the results of our determination as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Sarasota Academy of the Arts, Inc. 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 the 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 Sarasota Academy of the Arts, Inc. 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, matters required to be disclosed are included under the heading *Status of Prior Year Findings and Recommendations* and *Current Year Findings and 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 abuses 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 the School Board of Sarasota County, Florida, and it is not intended to be and should not be used by anyone other than these specified parties.



Sarasota, Florida
November 8, 2018

To the Board of Directors
Sarasota Academy of the Arts, Inc.

Status of Prior Year Findings and Recommendations

During prior year audit, it was noted that certain receipts were not deposited into the proper account and could not be accounted for by the Charter School. However, after further testing and review, it was determined that the total missing receipts that were identified were not material to the financial statements as a whole.

Recommendation: We recommended that when receipts are received by the Charter School, a list of the receipts should be compiled and the receipts should be placed in a locked safe. Deposits should be made on a weekly basis and reconciliation of the deposit slip to the list of receipts should be performed. Any differences between the list and the deposit should be followed up immediately and reported to the appropriate member of management.

Comment no longer applicable.

Current Year Findings and Recommendations

During the current year audit, it was noted that various transactions were improperly recorded and classified to incorrect revenue and expense accounts. In addition, as of the year ended June 30, 2018, the Charter School was delinquent with certain payment obligations. It was discovered, that in March 2018, the Charter School hired a new accounting firm to provide accounting services.

Recommendation: We recommend that when searching for an accounting firm to provide accounting services, to interview several accounting firms and ask questions to determine whether the accounting firm being interviewed has the necessary expertise and competence to provide accounting services for a charter school of the School Board of Sarasota County.

Follow-up: As of the date of the audit report, the Charter School is in the process of accepting bids from accounting firms with the necessary expertise and competence to provide accounting services for a charter school of the School Board of Sarasota County. Furthermore, management of the Charter School is in the process of making sure the Charter School is current and timely with all payment obligations.