

**FOUR CORNERS
CHARTER SCHOOL, INC.**

**Basic Financial Statements and
Supplemental Information**

June 30, 2018

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INDEPENDENT AUDITORS' REPORT

Partners

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To the Board of Directors
Four Corners Charter School, Inc.
Kissimmee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Four Corners Charter School, Inc. (the "Corporation") a component unit of the School Board of Osceola County, Florida as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Corporation'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 an opinion 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 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Four Corners Charter School, Inc. as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 25-27, 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 20, 2018 on our consideration of the Corporation'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 the effectiveness of the Corporation's 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 Corporation's internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 20, 2018

Management's Discussion and Analysis

As management of Four Corners Charter School, Inc. (the "Corporation"), a component unit of the School Board of Osceola County, Florida, we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended June 30, 2018 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the Corporation's financial activities, (c) identify changes in the Corporation's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the financial statements starting on page 8.

Financial Highlights

- The assets of the Corporation exceeded its liabilities at the close of the most recent fiscal year by \$5,408,963.
- The Corporation's total net position decreased by \$349,648.
- As of the close of the current fiscal year, the Corporation's governmental funds reported combined ending fund balances \$4,300,373.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,190,135.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the Corporation's assets and liabilities, 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 Corporation is improving or deteriorating.

The statement of activities presents information showing how the Corporation's net position changed during the most recent fiscal 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 funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Corporation that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, general administration, and facilities are examples of the Corporation's governmental activities.

The government-wide financial statements include the accounts of the Corporation and those of Four Corners Charter School (the "School"), which is a division of the Corporation. All intercompany accounts and transactions have been eliminated. The Corporation is a component unit of the School Board of Osceola County, Florida.

The government-wide financial statements can be found on pages 8 - 9 of this report.

Fund financial statements. A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the Corporation are presented in governmental funds only.

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 on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Corporation's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Corporation maintains two individual government funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances. The general fund and capital outlay fund are considered to be major funds.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

The Corporation adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules and notes to these schedules have been provided to demonstrate compliance with this budget and can be found on pages 25 through 27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 of this report.

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, assets exceeded liabilities by \$5,408,963 at the close of the most recent fiscal year.

The largest portion of the Corporation's net position is the unrestricted portion. Another portion of the Corporation's net position reflects its net investment in capital assets (e.g. furniture, fixtures and equipment; school bus; improvements other than buildings; leasehold improvements; IT equipment; and software). The Corporation uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The net investment in capital assets totaled \$1,108,590 at June 30, 2018.

Comparison of the condensed statement of net position and the statement of activities are provided below:

Statement of Net Position

	Governmental Activities		
	June 30, 2018	June 30, 2017	Variance
ASSETS			
Current and other assets	\$ 4,736,216	\$ 4,913,520	\$ (177,304)
Capital assets, net of accumulated depreciation	1,108,590	1,373,448	(264,858)
Total assets	5,844,806	6,286,968	(442,162)
LIABILITIES			
Current and other liabilities	435,843	528,357	(92,514)
Total current liabilities	435,843	528,357	(92,514)
NET POSITION			
Invested in capital assets	1,108,590	1,373,448	(264,858)
Unrestricted	4,300,373	4,385,163	(84,790)
Total net position	\$ 5,408,963	\$ 5,758,611	\$ (349,648)

Current assets decreased primarily due to the decrease in cash from operations. The decrease in capital assets is from current year depreciation net of current year additions. The decrease in current and other liabilities is due to the decrease in accounts payable at year end.

Statement of Activities

	Governmental Activities		
	2018	2017	Variance
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 260,328	\$ 281,304	\$ (20,976)
General revenues			
State passed through local school district	6,738,772	6,625,779	112,993
Interest income	3,071	898	2,173
Total revenues	<u>7,002,171</u>	<u>6,907,981</u>	<u>94,190</u>
Expenses:			
Basic instruction	4,702,778	4,458,248	(244,530)
Board of directors	5,420	5,000	(420)
General administration	601,140	768,821	167,681
Facilities	2,022,199	1,291,741	(730,458)
Fiscal services	20,000	-	(20,000)
Transporation	282	-	(282)
Total expenses	<u>7,351,819</u>	<u>6,523,810</u>	<u>(828,009)</u>
Change in net position	(349,648)	384,171	(733,819)
Net position - beginning	5,758,611	5,374,440	384,171
Net position - ending	<u>\$ 5,408,963</u>	<u>\$ 5,758,611</u>	<u>\$ (349,648)</u>

The increase in state pass through local school district revenue resulted from an increase in the number of full time equivalent students (FTE's) at the School. The increase in expenses is primarily the result of increased personnel expenses due to the enrollment increase. The decrease in general administration expense is attributed to cost savings measures. The increase in facilities expense is attributed to the Corporation covering more and increasing its facility expenditures for the School.

Financial Analysis of the Government's Funds

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

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

As of the current fiscal year, the Corporation's governmental funds reported combined ending fund balances of \$4,300,373.

The general fund is the main operating fund of the Corporation. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$3,190,135. The combined ending fund balance of the Corporation's general fund decreased by \$84,790 during the current fiscal year.

General Fund Budgetary Highlights

Actual revenues were less than originally budgeted as revenue goals were not achieved, although, FTE count increased. Budgeted general fund expenditures exceeded originally budgeted expenditures by approximately \$174,000 due to the increase in FTE students and related instruction, and to increases in facilities expenses as the Corporation increased its facilities expenditures for the School, which are net of the decrease in administration expense from cost savings. As a result, the budget was amended to actual and the actual decrease in fund balance was \$84,790. The budgetary information can be found on page 25 through 27 of this report.

Capital Asset Administration

Capital Assets. The Corporation's investment in capital assets for its governmental type activities as of June 30, 2018, amounts to \$1,108,590 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and equipment, school bus, improvements other than buildings, leasehold improvements, IT equipment, computer equipment and audio visual equipment.

Economic Factors. A majority of the Corporation's funding is determined by the number of enrolled students. The Corporation is forecasting enrollment to remain at capacity at approximately 1,085 students for the 2018-19 school year.

Request for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Angela G. Barner, Senior Accountant at the School District of Osceola County, Florida, 817 Bill Beck Boulevard, Kissimmee, Florida, 34744-4495.

Four Corners Charter School, Inc.

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 3,857,653
Accounts receivable	463,675
Due from other agencies	15,171
Due from management company	304,838
Prepaid expenses	80,630
Deposits	14,249
Total current assets	<u>4,736,216</u>
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Furniture, fixtures and equipment	223,615
School bus	19,530
Improvements other than buildings	36,686
Leasehold improvements	702,428
IT equipment	126,331
Total capital assets	<u>1,108,590</u>
Total assets	<u>5,844,806</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accrued payroll and other expenses	400,979
Due to agency fund	542
Accounts payable	34,322
Total current liabilities	<u>435,843</u>
NET POSITION	
Net investment in capital assets	1,108,590
Unrestricted	4,300,373
Total net position	<u>\$ 5,408,963</u>

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

Four Corners Charter School, Inc.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 4,702,778	\$ -	\$ -	\$ -	\$ (4,702,778)
Board of directors	5,420	-	-	-	(5,420)
General administration	601,140	-	-	-	(601,140)
Facilities	2,022,199	-	260,328	-	(1,761,871)
Fiscal services	20,000	-	-	-	(20,000)
Transportation	282	-	-	-	(282)
Total governmental activities	<u>\$ 7,351,819</u>	<u>\$ -</u>	<u>\$ 260,328</u>	<u>\$ -</u>	<u>(7,091,491)</u>
General revenues:					
					6,738,772
					3,071
					<u>6,741,843</u>
					(349,648)
					<u>5,758,611</u>
					<u>\$ 5,408,963</u>

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

Four Corners Charter School, Inc.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Capital Outlay Fund	Total Governmental Funds
ASSETS			
Cash	\$ 3,857,653	\$ -	\$ 3,857,653
Accounts receivable	463,675	-	463,675
Due from other agencies	-	15,171	15,171
Due from management company	304,838	-	304,838
Due from capital outlay fund	15,171	-	15,171
Prepaid expenses	80,630	-	80,630
Deposits	14,249	-	14,249
Total assets	\$ 4,736,216	\$ 15,171	\$ 4,751,387
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 34,322	\$ -	\$ 34,322
Due to agency fund	542	-	542
Due to general fund	-	15,171	15,171
Accrued payroll and other expenses	400,979	-	400,979
Total liabilities	435,843	15,171	451,014
FUND BALANCES			
Assigned	1,110,238	-	1,110,238
Unassigned	3,190,135	-	3,190,135
Total fund balances	4,300,373	-	4,300,373
Total liabilities and fund balances	\$ 4,736,216	\$ 15,171	\$ 4,751,387

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

Four Corner Charter School, Inc.

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

June 30, 2018

Fund balances - total governmental funds \$ 4,300,373

The net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Furniture, fixtures and equipment, net	\$ 223,615	
School bus, net	19,530	
Improvements other than buildings, net	36,686	
Leashold improvements, net	702,428	
IT equipment, net	<u>126,331</u>	
Total capital assets		<u>1,108,590</u>
Total net position of governmental activities		<u>\$ 5,408,963</u>

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

Four Corners Charter School, Inc.

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

Year Ended June 30, 2018

	General Fund	Capital Outlay Fund	Total Governmental Funds
Revenues			
State passed through local school district	\$ 6,738,772	\$ 260,328	\$ 6,999,100
Other revenues	3,071	-	3,071
Total revenues	6,741,843	260,328	7,002,171
Expenditures			
Current:			
Instruction	4,514,768	-	4,514,768
Board of directors	5,420	-	5,420
General administration	601,140	-	601,140
Facilities	1,788,685	-	1,788,685
Fiscal services	20,000	-	20,000
Transportation	282	-	282
Fixed capital outlay	156,666	-	156,666
Total expenditures	7,086,961	-	7,086,961
Excess (deficiency) of revenues over (under) expenditures	(345,118)	260,328	(84,790)
Other financing sources and (uses)			
Transfer in	260,328	-	260,328
Transfer out	-	(260,328)	(260,328)
Total other financing sources (uses)	260,328	(260,328)	-
Net change in fund balances	(84,790)	-	(84,790)
Fund balances at July 1, 2017	4,385,163	-	4,385,163
Fund balances at June 30, 2018	\$ 4,300,373	\$ -	\$ 4,300,373

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

Four Corners Charter School, Inc.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Net change in fund balances - total government funds		\$	(84,790)
The change in net assets reported for governmental activities in the statement of activities is different because:			
Governmental funds report fixed capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Total fixed capital outlay		\$	156,666
Less: Depreciation			<u>(421,524)</u>
			<u>(264,858)</u>
Change in net position of governmental activities		\$	<u>(349,648)</u>

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

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Four Corners Charter School, Inc. (the "Corporation"), which is a component unit of the School District of Osceola County, Florida is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the Corporation is the Board of Directors, which is comprised of five members.

The Corporation was formed to operate Four Corners Charter School (the "School") in Osceola County, Florida. The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under charter of the sponsoring school district, the School District of Osceola County, Florida (the "District"). The current charter is effective until June 30, 2030. 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 this case, the District is required to notify the Corporation in writing at least 90 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. In the event of termination of the charter, any property purchased by the Corporation with public funds and any unencumbered public funds revert back to the District. The Corporation is considered a component unit of the School District of Osceola County, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the Corporation. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the Corporation does not engage in any business type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net position, are subdivided into three categories: net investment in capital assets, restricted net assets, and unrestricted net assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.

Indirect expenses are costs the Corporation has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the Corporation's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. The Corporation reports the general fund and capital outlay fund as its major funds. Reconciliations are provided that converts the results of governmental fund accounting to the government-wide presentation.

3. 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 recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditure only when payment is due.

The Corporation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Corporation reports the following major governmental funds:

General Fund - the general operating fund of the Corporation and is used to account for all financial resources not required to be accounted for in another fund.

Capital Outlay Fund - in accordance with the guidelines established by the District, this fund accounts for all resources for the leasing and acquisition of capital facilities by the Corporation to the extent funded by capital outlay funds.

The Corporation has contracted operations of the School to a commercial management company. The management company accounts for certain school level assets, liabilities, revenues and expenses that are not a part of the Corporation. These items, including the functional classification of expenses, are not reported in the Corporation's financial statements.

4. Cash

The Corporation's cash consists of a checking account held at a financial institution. Deposits are held and maintained by the District. The Corporation does not have any cash equivalents.

5. Interfund receivables, payable and transfers

Interfund receivables and payables represent activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are referred to as either due to/from other funds. The capital outlay fund transferred \$260,328 to the general fund for payment of rent expense related to the facilities sub-lease (see Note E-2).

6. Capital assets

Capital assets are reported in the governmental columns on the government-wide financial statements. Capital assets are defined by the Corporation as assets with an initial individual cost of more than \$750 or a total invoice cost of greater than \$5,000 and an estimated useful life of greater than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values 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 asset lives are not capitalized.

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital assets (continued)

Capital assets of the Corporation are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (years)</u>
Furniture, fixtures and equipment	5
School bus	10
Improvements other than building	10
IT equipment	3
Computer software	3
Audio visual equipment	5

7. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the Corporation's charter agreement with the District. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the schools is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the schools during the designated FTE student survey periods.

The Corporation receives federal awards for the enhancement of various educational programs. The assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

8. Expenses

A commercial management company operates the School pursuant to a long-term contract with the Corporation. The management company is responsible for payment of virtually all operating expenses. Functional details of the Corporation's expenditures have not been presented in the financial statements as they are reported in the School's financial statements.

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Income taxes

The Corporation is a component unit of the School Board of Osceola County, Florida and therefore as a government is not required to file an income tax return.

10. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

11. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Corporation is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaid expense) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the Corporation itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Corporation takes the same highest level action to remove or change the constraint.

For the year ended June 30, 2018, the breakout of the fund balance is shown below:

Assigned fund balance - amounts the Corporation intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. The amount assigned by the Board of Directors is made up of the facility use fee \$972,738, as well as \$137,500 set aside each year to facilities and maintenance.

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Fund balance classification (continued)

Unassigned fund balance - amounts that are available for any purpose. No other fund except the general fund can report positive amounts of unassigned fund balance.

	<u>General Fund</u>
Assigned	
Facilities and maintenance	\$ 137,500
Facilities and fees	972,738
Unassigned	<u>3,190,135</u>
	<u>\$ 4,300,373</u>

The Corporation would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

12. Recent accounting pronouncements

In June 2017, the GASB issued Accounting Standards Updated (ASU) No. 87, *Leases*, which will require lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. The new guidance is effective for reporting periods beginning after December 15, 2019. Early adoption is permitted. The Corporation is evaluating the potential effect ASU No. 87 will have on its financial statements.

NOTE B - CASH

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure, the Corporation's deposits may not be returned to it. The Corporation does not have a formal policy regarding custodial credit risk. The bank balance of the Corporation's deposits was \$4,192,904 at June 30, 2018. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Corporation pursuant to section 280.08, Florida Statutes.

Four Corners Charter School, Inc.
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE C - CAPITAL ASSETS

Changes in capital assets were as follows for the year ended June 30, 2018:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets depreciated:				
Furniture, fixtures and equipment	\$ 1,339,421	\$ 39,941	\$ -	\$ 1,379,362
School bus	55,800	-	-	55,800
Improvements other than building	82,930	7,425	-	90,355
Leasehold improvements	2,193,298	-	-	2,193,298
IT equipment	1,012,039	109,300	-	1,121,339
Computer equipment	80,682	-	-	80,682
Audio visual equipment	1,555	-	-	1,555
Total assets depreciated	<u>4,765,725</u>	<u>\$ 156,666</u>	<u>\$ -</u>	<u>4,922,391</u>
Less accumulated depreciation:				
Furniture, fixtures and equipment	1,088,409	\$ 67,338	\$ -	1,155,747
School bus	30,690	5,580	-	36,270
Improvements other than building	45,065	8,604	-	53,669
Leasehold improvements	1,271,540	219,330	-	1,490,870
IT equipment	875,007	120,001	-	995,008
Computer equipment	80,011	671	-	80,682
Audio visual equipment	1,555	-	-	1,555
Total accumulated depreciation	<u>3,392,277</u>	<u>\$ 421,524</u>	<u>\$ -</u>	<u>3,813,801</u>
Total governmental activities capital assets, net	<u>\$ 1,373,448</u>			<u>\$ 1,108,590</u>

Depreciation expense for the year ended June 30, 2018 was charged to functions of the Corporation as follows:

Basic instruction	\$ 188,010
Facilities	<u>233,514</u>
	<u>\$ 421,524</u>

Four Corners Charter School, Inc.
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D - CONCENTRATIONS

Revenue sources

As stated in Note A-7, the Corporation receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Sources	Amounts
School District of Osceola County:	
Base funding	\$ 4,496,111
Class size reduction	1,264,946
Discretionary local effort	264,449
Discretionary millage compression allocation	222,749
Supplemental academic instruction	217,162
Instructional materials	86,854
Exceptional student education guaranteed allocation	73,401
Reading allocation	43,799
Digital classroom allocation	22,992
Safe schools	16,548
Prior year adjustment	11,118
Other state revenue	7,575
Discretionary lottery	1,764
Proration to funds available	(721)
Subtotal	6,728,747
Capital outlay funds	260,328
Florida teacher lead program	10,025
Total School Board of Osceola County, Florida	6,999,100
Interest income	3,071
Total revenues	\$ 7,002,171

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Management service contract

On September 16, 2010, the Corporation entered into a management agreement with a management company to manage the School. The contract terminated on June 30, 2015. A new agreement was signed on June 23, 2015 for a term of five years commencing on July 1, 2015. The contract expires the earlier of June 30, 2020 or the termination date of the charter if the District chooses to early terminate or not to renew when expired.

The management company will manage and operate the School during the term of the agreement and is guaranteed a fee of \$500,000 plus contingent incentive fees. The incentive fees are calculated as the difference between the guaranteed fee and 15% of FEFP operational revenues, and subject to performance requirements as detailed in the management agreement. Current year management fees charged to operations totaled \$516,608.

2. Facilities sub-lease

The real property, buildings, and other assets, which comprise the Corporation's facilities, are owned by the District. Construction of the buildings was financed by the issuance of \$8,315,000 principal amount of Certificates of Participation, Series 2000A and \$6,385,000 principal amount of Certificates of Participation, Series 2000B (the "Certificates"), which are obligations of the District.

On April 19, 2005, the District issued \$12,095,000 principal amount of Certificates of Participation, Series 2005. The proceeds were used to refund a portion of the outstanding Series 2000 Certificates maturing on and after August 1, 2011 (the "Refunded Certificates") and, therefore, refinanced a portion of the cost of the acquisition, construction and equipping of the Series 2000 Facilities and reduced the corresponding basic lease payments due under the lease.

On August 7, 2015, the District issued \$8,310,000 principal amount of Certificates of Participation, Series 2015. The proceeds were used to refund the outstanding Series 2005 Certificates maturing on or after February 2016. The Series 2015 Certificates were issued to reduce the basic lease payments due under the lease and mature in August 2024.

The Corporation is entitled to use the facilities under a sub-lease agreement with the District that requires annual payments in amounts equal to the annual debt service payments on the Certificates. Such annual payments range from \$1,035,651 to \$1,045,730 for the Corporation. At the end of the term of the charter including renewals, if any, possession of the facilities will revert to the District which will be liable for all future payments.

Four Corners Charter School, Inc.
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E - COMMITMENTS AND CONTINGENCIES (continued)

2. Facilities sub-lease (continued)

Current year facilities lease expense charged to operations totaled \$1,061,168. This amount is included in the "Facilities" functional expense category on the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances. A portion of the facility use fee in the amount of \$260,328 was reimbursed through capital outlay funds.

Current aggregate remaining rental commitments, including all extensions, under this sub-lease agreement are summarized as follows at June 30:

2019	\$ 1,035,140
2020	1,036,577
2021	1,037,346
2022	1,037,448
2023	1,036,883
2024-2025	<u>2,074,335</u>
	<u>\$ 7,257,729</u>

NOTE F - RISK MANAGEMENT

The Corporation and School are 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 School carries commercial insurance. Under the plan for property insurance, the liability is \$25,000 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2018. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

NOTE G - RELATED PARTIES

1. Due from management company

The Corporation has entered into an agreement with a management company for professional services to manage and operate the School (See Note E-1). All monies received by revenue, grants and revenue allocations are initially deposited with the Corporation. The Corporation retains funds in order to pay for management fees. As of June 30, 2018, the Corporation has an outstanding receivable due from the management company in the amount \$304,838.

Four Corners Charter School, Inc.
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G - RELATED PARTIES (continued)

2. Due to school district

All monies received by revenue, grants and revenue allocations are initially deposited with the Corporation. The Corporation retains funds in order to pay for certain operating expenses such as lease payments to the District (see Note E-2). At June 30, 2018, there was no outstanding payable due to the District.

3. Due to Four Corners Charter School

All monies received from revenue, grants and revenue allocations are initially deposited with the Corporation. The Corporation retains funds in order to pay for facility maintenance. At June 30, 2018, the Corporation has a \$335,510 payable due to Four Corners Charter School and Four Corners Charter School has a corresponding receivable due from the Corporation, which are eliminated in the accompanying financial statements.

NOTE H - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through September 20, 2018, the date which the financial statements were available for issuance.

REQUIRED SUPPLEMENTAL INFORMATION

Four Corners Charter School, Inc.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenue				
State passed through local school district	\$ 6,778,006	\$ 6,738,772	\$ 6,738,772	\$ -
Other revenues	1,000	3,071	3,071	-
Total revenues	<u>6,779,006</u>	<u>6,741,843</u>	<u>6,741,843</u>	<u>-</u>
Expenditures				
Instruction	4,740,033	4,514,768	4,514,768	-
Board of directors	5,000	5,420	5,420	-
General administration	1,087,132	601,140	601,140	-
Facilities	1,061,168	1,788,685	1,788,685	-
Fiscal services	20,000	20,000	20,000	-
Transportation	-	282	282	-
Fixed capital outlay	-	156,666	156,666	-
Total expenditures	<u>6,913,333</u>	<u>7,086,961</u>	<u>7,086,961</u>	<u>-</u>
Other financing sources				
Transfers in	260,328	260,328	260,328	-
Transfers out	(190,000)	-	-	-
Total other financing sources	<u>70,328</u>	<u>260,328</u>	<u>260,328</u>	<u>-</u>
Net change in fund balances	(63,999)	(84,790)	(84,790)	-
Fund balance at July 1, 2017	4,385,163	4,385,163	4,385,163	-
Fund balance at June 30, 2018	<u>\$ 4,321,164</u>	<u>\$ 4,300,373</u>	<u>\$ 4,300,373</u>	<u>\$ -</u>

See accompanying note to required supplemental information.

Four Corners Charter School, Inc.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL OUTLAY FUND**

Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
State passed through local school district	\$ 260,328	\$ 260,328	\$ 260,328	\$ -
Other financing uses				
Transfers out	<u>(260,328)</u>	<u>(260,328)</u>	<u>(260,328)</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance at July 1, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to required supplemental information.

Four Corners Charter School, Inc.

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2018

NOTE A - BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted for the entire operations and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2018, have been amended according to Board procedures. Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major fund for which a legally adopted budget exists.

SUPPLEMENTAL INFORMATION



**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**

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American Institute of
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To the Board of Directors
Four Corners Charter School, Inc.
Kissimmee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Four Corners Charter School, Inc. (the "Corporation") a component unit of the School Board of Osceola County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated September 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 20, 2018



MANAGEMENT LETTER

Partners

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To the Board of Directors
Four Corners Charter School, Inc.
Kissimmee, Florida

Report on the Financial Statements

We have audited the financial statements of Four Corners Charter School, Inc. (the "Corporation"); a component unit of the School Board of Osceola County, Florida, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated September 20, 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 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated September 20, 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. In connection with our audit, the Corporation did not have prior year findings.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the Corporation is *Four Corners Charter School, Inc.*, which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes.

Financial Condition and Management

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the Corporation has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Corporation 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 Corporation. It is management's responsibility to monitor the Corporation's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

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

Transparency

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

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 20, 2018

MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2018 there were no management findings, recommendations or responses.