

Rising Leaders Academy, Inc.  
(A charter school and Component Unit  
of the District School Board of Bay County, Florida)

Panama City, Florida

Financial Statements and  
Independent Auditors' Report  
June 30, 2016

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Rising Leaders Academy, Inc.  
(A charter school and Component Unit  
of the District School Board of Bay County, Florida)  
WL#2701

1527 Lincoln Avenue  
Panama City, FL 32405

2015-2016

BOARD OF DIRECTORS

Dr. Eren Ozen, President and Chair  
Mr. Tarone Watley, Vice President  
Dr. Ahmed Baker, Treasurer  
Mr. Osama Albibi, Secretary  
Mr Todd Zaborski, Member  
Dr. Ahmed Rezk, Member

SCHOOL ADMINISTRATION

Suha Jaber, Principal and Director

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rising Leaders Academy, Inc.  
Panama City, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Rising Leaders Academy, Inc. (the "School") which is a component unit of the District School Board of Bay County, as of, and for the year ended June 30, 2016, which collectively comprises the School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Rising Leaders Academy, Inc. at June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Required Supplementary Information*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 26 through 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
October 28, 2016

**Management's Discussion and Analysis**  
Rising Leaders Academy, Inc.  
(A charter school and Component Unit  
Of the District School Board of Bay County, Florida)  
June 30, 2016

The corporate officers of Rising Leaders Academy, Inc. have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2016.

**Financial Highlights**

1. The net position of the School at June 30, 2016 was \$160,768.
2. At year-end, the School had current assets on hand of \$139,320.
3. The School had an increase in its net position of \$79,189 for the year ended June 30, 2016.
4. The unassigned fund balance at year end was \$103,274.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2016 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required 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 School's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School's assets, deferred outflows of resources and liabilities, and deferred inflows of resources. The difference between the four is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10-11 of this report.

*Fund Financial Statements*

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and

local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 12 – 15 of this report.

#### Notes to Financial Statements

The notes to the financial statements 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 on pages 16 – 25 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position was \$160,678 at the close of the fiscal year. As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. A summary of the School's net position as of June 30, 2016 and 2015 follows:

	2016	2015
Cash	\$ 139,320	\$ 81,391
Accounts receivable	-	56
Prepaid expenses	-	6,000
Capital Assets, net	603,834	619,583
<b>Total Assets</b>	<b>743,154</b>	<b>707,030</b>
<b>Deferred outflows of resources</b>	-	-
Salaries and wages payable	36,046	38,479
Long term debt	546,340	586,972
<b>Total Liabilities</b>	<b>582,386</b>	<b>625,451</b>
<b>Deferred inflows of resources</b>	-	-
<b>Net Position:</b>		
Net investment in capital assets	57,494	32,611
Unrestricted	103,274	48,968
<b>Total Net Position</b>	<b>\$ 160,768</b>	<b>\$ 81,579</b>

At the end of the fiscal year, the School is able to report continued positive balance in the position.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Program Revenues		
Federal sources	\$ -	\$ 337
Charges for Services	45,994	31,114
General Revenues		
Local Sources(FTE non specific)	755,149	660,034
Other Revenues	49,891	38,552
<b>Total Revenues</b>	<u>\$ 851,034</u>	<u>\$ 730,037</u>
<b>EXPENSES</b>		
Component Unit Activities:		
Instruction	\$ 458,427	\$ 433,114
Instructional staff training	6,154	9,000
Instructional related technology	1,912	1
Board	45,848	41,406
School administration	101,746	103,411
Fiscal services	35,730	24,029
Food services	21,915	20,166
Pupil transportation services	6,560	420
Operation of plant	36,667	36,270
Maintenance of plant	1,092	2,523
Community services	2,360	2,186
Interest expense	31,821	33,728
Unallocated depreciation	21,613	20,119
<b>Total Expenses</b>	<u>771,845</u>	<u>726,373</u>
Increase in Net Position	79,189	3,664
Net Position at Beginning of Year	81,579	77,915
Net Position at End of Year	<u>\$ 160,768</u>	<u>\$ 81,579</u>

The School has an increase in total revenues of \$120,997 and an increase in expenses of \$45,472 as a result of higher student enrollment. The school had an increase in net position of \$79,189 for the year.

### **School Location and Lease of Facility**

The School leases a facility located at 1527 Lincoln Avenue, Panama City, FL 32405.

### **Capital Improvement Requirements**

School has not received Capital Outlay yet but it is constantly enhancing its facility and the District takes care of the fixture and maintenance. Management has added a lot of useful equipment like computers and projectors in every class. Much of it is coming from donations.

### **School Enrollment**

This past year, the School had approximately 117 students enrolled in grades kindergarten through seventh.



## **Achievements**

Rising Leaders Academy (RLA) had an outstanding fourth year in 2015 - 2016. RLA had the top FSA scores again in Bay District and among the top 1% in the State. The middle school 7th graders took the high school Algebra End of Course Exam and received the top scores, higher than any Bay District high school. They also took a high school technology class. RLA continued its excellent programs with the Expeditionary Learning methods. The parents were invited twice to celebrate learning, in which the students presented their Expeditionary Learning products. We participated in many competitions, which included the Spelling Bee, and completed several learning service projects, which included helping the environment. RLA continued to teach 2 foreign languages to all students from kindergarten and had several performances throughout where the community attended the celebrations.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

### Governmental Funds

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, the *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.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$103,274. The fund balance unassigned and available for spending at the School's discretion is \$103,274. These funds will be available for the School's future ongoing operations.

### Capital Assets

The School's investment in capital assets as of June 30, 2016 amounts to \$603,834 (net of accumulated depreciation). This investment in capital assets includes land, building, furniture, fixtures and computer equipment. As of June 30, 2016, the School had \$546,340 debt associated to its capital assets.

## Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for total governmental funds (both general fund and special revenue funds) to demonstrate compliance with the School's budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Lunch program	\$ 24,037	\$ 22,222	\$ 22,278
General Revenues			
FTE nonspecific revenues	848,113	761,907	755,149
Charges and other revenues	49,532	61,247	73,607
Total Revenues	<u>921,682</u>	<u>845,376</u>	<u>851,034</u>
CURRENT EXPENDITURES			
Component Unit Activities			
Instruction	499,373	446,339	458,427
Instruction and Curriculum	588	-	-
Instructional staff training	7,889	10,286	6,154
Instructional related technology	241	2,467	1,912
Board	51,642	46,920	45,848
School administration	141,005	99,512	101,746
Fiscal services	27,202	36,036	35,730
Pupil transportation services	642	2,675	6,560
Food services	24,525	22,222	21,915
Operation of plant	36,230	37,771	36,667
Maintenance of plant	2,719	858	1,092
Community Services	3,050	2,919	2,360
Total Current Expenditures	<u>\$ 795,106</u>	<u>\$ 708,005</u>	<u>\$ 718,411</u>

## Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Suha Jaber at Rising Leaders Academy, Inc. 1527 Lincoln Avenue, Panama City, Florida 32405.

Rising Leaders Academy, Inc.  
Statement of Net Position  
June 30, 2016

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Current assets:	
Cash	\$ 139,320
	<u>139,320</u>
Capital assets, depreciable	678,245
Less: accumulated depreciation	<u>(74,411)</u>
	<u>603,834</u>
Total Assets	<u>743,154</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>-</u>
<b><u>Liabilities</u></b>	
Current liabilities:	
Salaries, wages and benefits payable	36,046
Current portion of long term debt and capital lease obligations	<u>43,138</u>
	79,184
Long-term loans payable and capital lease payable obligations	<u>503,202</u>
Total Liabilities	<u>582,386</u>
<b><u>Deferred Inflows of Resources</u></b>	<u>-</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	57,494
Unrestricted	<u>103,274</u>
Total Net Position	<u>\$ 160,768</u>

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

Rising Leaders Academy, Inc.  
Statement of Activities  
For the year ended June 30, 2016

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 458,427	\$ 23,716	\$ -	\$ -	\$ (434,711)
Instructional staff training	6,154	-	-	-	(6,154)
Instructional related technology	1,912	-	-	-	(1,912)
Board	45,848	-	-	-	(45,848)
School administration	101,746	-	-	-	(101,746)
Fiscal services	35,730	-	-	-	(35,730)
Food services	21,915	22,278	-	-	363
Pupil transportation services	6,560	-	-	-	(6,560)
Operation of plant	36,667	-	-	-	(36,667)
Maintenance of plant	1,092	-	-	-	(1,092)
Community services	2,360	-	-	-	(2,360)
Interest	31,821	-	-	-	(31,821)
Unallocated depreciation	21,613	-	-	-	(21,613)
<b>Total governmental activities</b>	<b>\$ 771,845</b>	<b>\$ 45,994</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (725,851)</b>
General revenues:					
FTE nonspecific revenues					755,149
Other revenues					49,891
Change in net position					79,189
Net position, beginning					81,579
Net position, ending					\$ 160,768

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

Rising Leaders Academy, Inc.

Balance Sheet - Governmental Funds  
June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
<b><u>Assets</u></b>			
Cash	\$ 139,320	\$ -	\$ 139,320
Total Assets	139,320	-	139,320
<b><u>Deferred Outflows of Resources</u></b>	-	-	-
<b><u>Liabilities</u></b>			
Salaries and wages payable	36,046	-	36,046
Total Liabilities	36,046	-	36,046
<b><u>Deferred Inflows of Resources</u></b>	-	-	-
<b><u>Fund Balance</u></b>			
Nonspendable, not in spendable form	-	-	-
Unassigned	103,274	-	103,274
	103,274	-	103,274
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 139,320	\$ -	\$ 139,320

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

Rising Leaders Academy, Inc.

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
For the year ended June 30, 2016

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Total Fund Balance - Governmental Funds	\$ 103,274
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$678,245 net of accumulated depreciation of \$74,411 used in governmental activities are not financial resources and therefore are not reported in the fund.	603,834
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Long-term liability of \$546,340 is not due and payable in the current period and therefore is not reported in the governmental funds.	<u>(546,340)</u>
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Total Net Position - Governmental Activities	<u>\$ 160,768</u>
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The accompanying notes are an integral part of this financial statement.

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the year ended June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State passed through local	\$ 755,149	\$ -	\$ 755,149
Lunch program	-	22,278	22,278
Charges and other revenue	73,607	-	73,607
Total Revenues	828,756	22,278	851,034
Expenditures:			
Current			
Instruction	458,427	-	458,427
Instructional staff training	6,154	-	6,154
Instructional related technology	1,912	-	1,912
Board	45,848	-	45,848
School administration	101,746	-	101,746
Fiscal services	35,730	-	35,730
Food services	-	21,915	21,915
Pupil transportation services	6,560	-	6,560
Operation of plant	36,667	-	36,667
Maintenance of plant	1,092	-	1,092
Community Services	2,360	-	2,360
Capital Outlay:			
Other capital outlay	5,864	-	5,864
Debt service:			
Redemption of Principal	40,632	-	40,632
Interest	31,821	-	31,821
Total Expenditures	774,813	21,915	796,728
Excess (deficit) of revenues over expenditures	53,943	363	54,306
Other financing sources (uses)			
Transfers in (out)	363	(363)	-
Net change in fund balance	54,306	-	54,306
Fund Balance at beginning of year	48,968	-	48,968
Fund Balance at end of year	\$ 103,274	\$ -	\$ 103,274

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



Rising Leaders Academy, Inc.

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

For the year ended June 30, 2016

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Net Change in Fund Balance - Governmental Funds	\$ 54,306
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$5,864 differed from depreciation expense of \$21,613.	(15,749)
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The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds of \$0 differed from repayments of \$40,632 in the current period.	<u>40,632</u>
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Change in Net Position of Governmental Activities	<u>\$ 79,189</u>
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The accompanying notes are an integral part of this financial statement.

## **Note 1 – Summary of Significant Accounting Policies**

### Reporting Entity

Rising Leaders Academy, Inc. (the "School"), is a component unit of the District School Board of Bay County, Florida (the "District"). Rising Leaders Academy, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Rising Leaders Academy, Inc., which is composed of six members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the District School Board of Bay County, Florida. The current charter expires on June 30, 2017 and is renewable for an additional term pursuant to law and/or by a mutual written agreement between the School and the District. The District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may terminate the charter if good cause is shown.

The School is located in Panama City, Florida for students from kindergarten through seventh grade and is funded by the District. These financial statements are for the year ended June 30, 2016, when a total of approximately 117 students were enrolled for the school year.

### Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

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

## **Note 1 – Summary of Significant Accounting Policies (continued)**

### Government-wide and Fund Financial Statements

#### *Government-wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal interfund activity has been eliminated from these government-wide financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements do not include fiduciary funds.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not properly included with program revenues are reported as general revenues.

#### *Fund Financial Statements*

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds are reported as separate columns in the fund financial statements:

*General Fund* - is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

*Special Revenue Fund* - accounts for specific revenue, such as capital outlay funding and federal lunch program that are legally restricted to expenditures for particular purposes.

### Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

**Note 1 – Summary of Significant Accounting Policies (continued)**

Measurement Focus and Basis of Accounting (continued)

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available.

Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. “Measurable” means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

**Note 1 – Summary of Significant Accounting Policies (continued)**

Due from other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$750 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Building	40 Years
Furniture, Equipment and Software	5 Years

Long –Term Debt

In the government-wide 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 debt issued as other financing sources.

## **Note 1 – Summary of Significant Accounting Policies (continued)**

### Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made. In addition, the School receives an annual allocation of charter school capital outlay funds for leasing of school facilities.

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. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs. The School has not received Federal awards for the enhancement of various educational programs as of June 30, 2016.

### Income Taxes

Rising Leaders Academy, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

### Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through October 28, 2016, which is the date the financial statements were available to be issued.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## **Note 1 – Summary of Significant Accounting Policies (continued)**

### Net position and Fund Balance Classifications

#### *Government-wide financial statements*

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets, net of related debt - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. There are no restricted assets at year end.
- c) Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets, net of related debt."

#### *Fund financial statements*

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

- a) Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end relate to not in spendable form assets.
- b) Restricted – this classification includes fund balance category amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- a) Assigned - fund balance classification that is intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- b) Unassigned – portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications.

## Note 1 – Summary of Significant Accounting Policies (continued)

### Inter-fund Transfers

Outstanding balances between funds are reported as “due to/from other funds”. Inter-fund transfers are made to move any excess or shortage of funds derived from the National School Lunch Program from the Special Revenue Fund to the General Fund.

### Order of Fund Balance Spending Policy

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

## Note 2 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2016:

	Balance 07/01/15	Additions	Retirements	Balance 06/30/16
Capital Assets:				
Land under capital lease	\$ 100,959	\$ -	\$ -	\$ 100,959
Building under capital lease	543,012	-	-	543,012
Furniture, equipment and software	28,410	5,864	-	34,274
Total Capital Assets	672,381	5,864	-	678,245
Less Accumulated Depreciation:				
Building	(39,594)	(13,575)	-	(53,169)
Furniture, equipment and software	(13,204)	(8,038)	-	(21,242)
Total Accumulated Depreciation	(52,798)	(21,613)	-	(74,411)
Capital Assets, net	\$ 619,583	\$ (15,749)	\$ -	\$ 603,834

Depreciation expense for the period ended June 30, 2016 was \$21,613 and is unallocated in the Statement of Activities.



### Note 3 – Professional Services Contract

School Financial Services, Inc., a professional services company, provides back-office business services to the School including, but not limited to, regulatory compliance, payroll processing, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement between the School and the company calls for a maximum fee of three percent of the net unrestricted student revenue. Net unrestricted student revenue is defined as FEFP funding net of the five percent district administration fee for accounting services plus 1.25% of gross salary for payroll processing. The three percent referred to above will be adjusted by reducing the rate by one-tenth of one percent for each \$1,000,000 in total unrestricted student revenue. The agreement is for a period commencing on July 1, 2013 and ending June 30, 2016, this contract can be renewed at the end of this term if both parties agree the relationship has met both parties expectations. This agreement may be terminated immediately, and may be terminated without cause by either party upon 30 days written notice to the other party. During the year ended June 30, 2016, the School incurred approximately \$21,278 in fees. School Financial Services, Inc. is located at 54 South Martin Street, Bonifay, Florida 32425.

### Note 4 – Debt and Capital Lease Obligations

Rising Leaders Academy, Inc. debt and capital lease obligations consisted of the following at June 30:

	<u>2016</u>
Note payable with no monthly payments of principal and variable interest at 0%, no specific maturity date.	\$ 48,860
Capital Lease obligations with monthly payments of \$6,000 through 2017	<u>538,112</u>
	586,972
Less: Current portion	<u>40,632</u>
Long-term portion	<u>\$ 546,340</u>

#### Debt

The school entered into two loans with individuals to fund its operating activities. Loans payable are \$48,860 and bear interest at 0%. Notes payable repayment amounts are due after 13 months from the date of the loans issuance at June 2012. The School has the right to prepay the whole outstanding amount at any time. However, lenders may defer re-payment of the loans after the 13 months period, at his/her discretion. There is no limit as to the number of deferments so long as the parties mutually agree.

**Note 4 – Debt and Capital Lease Obligations (continued)**

Capital lease

The School has entered into a lease primarily related to land and building of the school facilities that qualify as capital lease obligations. As a result, the present value of the initial future minimum lease payment was recorded as a capitalized lease after asset and related capital lease obligation in the Statement of Net Position.

Future minimum capital lease payments at June 30, 2016 are as follows:

	2017	72,000
	2018	<u>462,000</u>
Total minimum payments		534,000
Less amounts representing interest		<u>(33,417)</u>
Present value of future minimum payments		<u>\$500,583</u>

For the year ended June 30, 2016, interest expense totaled 31,821.

**Note 5 – Deposits Policy and Credit Risk**

It is the School's policy to maintain its cash in major banks and in high grade investments. As of June 30, 2016, the carrying amount of the School's deposits was \$139,320 and the respective bank balances totaled \$142,360.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. As of June 30, 2016, there were no bank balances in potential excess of FDIC coverage.

## **Note 6 – Commitments and Contingencies**

### Contingencies

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2016, administrative fees withheld by the School District totaled \$36,996.

## **Note 7 – Risk Management**

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in the past. In addition, there were no reductions in insurance coverage from those in the prior year.

## REQUIRED SUPPLEMENTARY INFORMATION

Rising Leaders Academy, Inc.

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2016

	General Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State passed through local	\$ 848,113	\$ 761,907	\$ 755,149
Charges and other revenue	49,532	61,247	73,607
Total Revenues	897,645	823,154	828,756
<b>EXPENDITURES</b>			
Current:			
Instruction	499,373	446,339	458,427
Instruction and Curriculum	588	-	-
Instructional staff training	7,889	10,286	6,154
Instructional related technology	241	2,467	1,912
Board	51,642	46,920	45,848
School Administration	141,005	99,512	101,746
Fiscal Services	27,202	36,036	35,730
Pupil transportation services	642	2,675	6,560
Operation of Plant	36,230	37,771	36,667
Maintenance of Plant	2,719	858	1,092
Community Services	3,050	2,919	2,360
Total Current Expenditures	770,581	685,783	696,496
Excess of Revenues			
Over Current Expenditures	127,064	137,371	132,260
Debt Service:			
Redemption of Principal	40,632	40,628	40,632
Interest	31,367	34,093	31,821
Capital Outlay	-	-	5,864
Other Capital Outlay			
Total Capital Outlay and			
Debt Service Expenditures			78,317
Total Expenditures	842,580	760,504	774,813
Excess of Revenues Over Expenditures	55,065	62,650	53,943
Other financing sources (uses):	(488)		
Transfers in (out)	-	-	363
Long term deposits	-	-	-
Proceeds from issuance of long term debt	-	-	-
Net change in fund balance	54,577	62,650	54,306
Fund Balance at beginning of year	48,968	48,968	48,968
Fund Balance at end of year	\$ 103,545	\$ 111,618	\$ 103,274

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

Rising Leaders Academy, Inc.

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2016

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Lunch program	\$ 24,037	\$ 22,222	\$ 22,278
Total Revenues	24,037	22,222	22,278
EXPENDITURES			
Current:			
Food services	24,525	22,222	21,915
Total Current Expenditures	24,525	22,222	21,915
Excess of Revenues			
Over Current Expenditures	(488)	-	363
Debt Service:			
Redemption of Principal	-	-	-
Capital Outlay			
Other Capital Outlay	-	-	-
Total Capital Outlay and			
Debt Service Expenditures	-	-	-
Total Expenditures	24,525	22,222	21,915
Excess of Revenues Over Expenditures	(488)	-	363
Other financing sources (uses)			
Transfers in (out)	488	-	(363)
Net change in fund balance	-	-	-
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	\$ -	\$ -	\$ -

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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Board of Directors of  
Rising Leaders Academy, Inc.  
Panama City, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Rising Leaders Academy, Inc. (the "School") as of, and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 28, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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*.

We noted certain matters that we reported to management in a separate management letter dated October 28, 2016 pursuant to Chapter 10.850, Rules of the Auditor General.

## 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.

  
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
October 28, 2016



## MANAGEMENT LETTER

Board of Directors of  
Rising Leaders Academy, Inc.  
Panama City, Florida

### Report on the Financial Statements

We have audited the financial statements of the governmental activities and each major fund of Rising Leaders Academy, Inc. as of and for the year ended June 30, 2016 and have issued our report thereon dated October 28, 2016.

### Auditor's Responsibility

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

### Other Reporting Required by *Government Auditing Standards*

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*. Disclosure in those reports, which are dated October 28, 2016, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Rising Leaders Academy, Inc..

### Financial Condition

Sections 10.854(1)(e)2, Rules of the Auditor General, requires that we report the results of our determination as to whether or not Rising Leaders Academy, Inc. 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 Rising Leaders Academy, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

## **Financial Condition (Continued)**

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 Rising Leaders Academy, Inc.. It is management's responsibility to monitor Rising Leaders Academy, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. We have applied such procedures as of the fiscal year end and no deteriorating financial condition has been noted.

## **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 Rising Leaders Academy, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Rising Leaders Academy, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

## **Other Matters**

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

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

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, School Board of Bay County, 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.

  
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
October 28, 2016