

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2018

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
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JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Governing Board,
Duval MYcroSchool of Integrated
Academics and Technologies, Inc.:

We have audited the accompanying financial statements of the governmental activities and each major fund of Duval MYcroSchool of Integrated Academics and Technologies, Inc. ("MYCroSchool Jacksonville") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

- 1 -

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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 MYCroSchool Jacksonville as of June 30, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

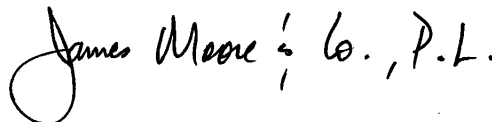
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents 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 October ____, 2018 on our consideration of MYCroSchool Jacksonville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MYCroSchool Jacksonville's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
October 29, 2018

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

This section of Duval MYcroSchool of Integrated Academics and Technologies, Inc.'s annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the School's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Duval MYcroSchool of Integrated Academics and Technologies, Inc. (the "School") using the integrated approach as prescribed by GASB Statement Number 34.

The Government-Wide Financial Statements present the financial picture of the School from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the School as well as all liabilities. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for the governmental activities. The Governmental Funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

The Primary unit of the government is the School Board of Duval County, Florida.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

An overview of significant financial information from the current year includes:

- The school's total net position decreased by approximately \$200 thousand.
- Total general fund expenses exceeded revenues by approximately \$120 thousand.
- Capital assets, net of depreciation, decreased approximately by \$14 thousand.
- The School's governmental funds reported combined ending fund deficit balance of approximately \$64 thousand.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(Continued)**

REPORTING THE SCHOOL AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the School as a whole and about its activities. These statements include *all* assets and liabilities of the School using the accrual basis accounting, which is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School's *net position* and changes in them. Net position is the difference between assets and liabilities and is one way to measure the School's financial health, or *financial position*. Over time, *increases or decreases* in the School's net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the School's revenue base and the condition of the School's capital assets.

The relationship between revenues and expenses is the School's operating results. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the School. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we designate the School activities as follows:

Governmental activities—All of the School's services are reported in this category. This includes the education of high school students, and the on-going effort to improve and maintain capital assets. Revenues received from the Florida Education Finance Program through the Duval County Public School system, Federal grants and miscellaneous local revenues finance these activities.

REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the School as a whole. Some funds are required to be established by State law. However, management may establish various funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies that it receives.

Governmental funds—The School's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. The differences between the governmental fund financial statements and the government-wide financial statements are explained in reconciliations following each governmental fund financial statement.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(Continued)**

THE SCHOOL AS A WHOLE

Net Position

The School's net position was approximately \$(200) thousand for the fiscal year ended June 30, 2018. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the School's governmental activities.

Table 1

	Net Position June 30, 2018	Net Position June 30, 2017
Current and other assets	\$ 172,046	\$ 196,455
Capital assets	158,115	172,561
Total Assets	330,161	369,016
Deferred outflows	296,770	295,099
Net pension liability	489,569	465,352
Current liabilities	236,101	112,436
Total Liabilities	725,670	577,788
Deferred inflows	103,591	90,262
Net position		
Net investment in capital assets	158,115	172,561
Restricted for Capital Projects	-	28,162
Unrestricted	(360,445)	(204,658)
Total Net Position	\$ (202,330)	\$ (3,935)

Changes in Net Position

The results of this year's operations for the School as a whole are reported in the Statement of Activities on page 10. Table 2 takes the information from the Statement and rearranges it slightly to more readily identify the total revenues for the year.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(Continued)**

THE SCHOOL AS A WHOLE (Continued)

Changes in Net Position (Continued)

Table 2

	Governmental Activities June 30, 2018	Governmental Activities June 30, 2017
Revenues		
General Revenues:		
State of Florida Education Finance Program	\$ 1,161,919	\$ 1,376,559
Public Education Capital Outlay Program	-	81,026
Federal Grants	21,582	12,782
Other General Revenues	14,079	36,985
Total Revenues	1,197,580	1,507,352
Expenses		
Instruction-related Services	748,346	865,570
Support Services	426,707	415,582
Facilities Acquisition and Construction	80,826	99,378
Transportation	29,350	20,908
Maintenance and Operation of Plant	76,612	70,092
Depreciation	34,134	46,506
Total Expenses	1,395,975	1,518,036
Change in Net Position	\$ (198,395)	\$ (10,684)

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(Continued)**

THE SCHOOL'S FUNDS

As the School completed this year, the governmental funds reported a combined fund balance of \$(64,055) (Table 3).

Table 3

	Fund Balance June 30, 2018	Fund Balance June 30, 2017
General Fund	\$ (64,055)	\$ 55,857
Public Education Capital Outlay	-	28,162
Totals	\$ (64,055)	\$ 84,019

General Fund Budgetary Highlights

During the course of the fiscal year, the School revised its General Fund Budget in order to deal with unexpected changes in revenue and expenditures. The Governing Board adopts its initial budget based on projected enrollment and the corresponding projected revenues. Amendments are primarily required to reflect changes in revenue estimates from the State of Florida Education Finance Program (FEFP) as actual enrollments are determined. A schedule showing the School's original and final budget amounts compared with actual amounts paid and received is provided in budgetary comparison schedules as noted in the table of contents.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the School had \$158,115 in a broad range of capital assets (net of depreciation), including furniture, equipment and building improvements (Table 4).

Table 4

	Governmental Activities June 30, 2018	Governmental Activities June 30, 2017
Furniture and Equipment	\$ 192,684	\$ 172,996
Building Improvements	191,392	191,392
Accumulated Depreciation	(225,961)	(191,827)
Totals	\$ 158,115	\$ 172,561

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(Continued)**

SIGNIFICANT ACTIVITIES DURING FISCAL YEAR 2017-2018 ARE NOTED BELOW:

- The School's enrollment was 184 students.

ECONOMIC FACTORS

The economic position of the school for general operating is closely tied to that of the State. The formula for determining funding for education is set by Statute. State funds to charter schools are provided primarily by legislative appropriations from the State's general revenue funds under the Florida Education Finance Program (FEFP), and the State funding for operations is primarily from sales, gasoline, and corporate income taxes. Additionally, the level of tourism in the State heavily influences the amount of taxes collected. Significant changes in State revenue collections could directly impact future School revenue allocations.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need any additional financial information, please write to NEWCorp at 2611 Temple Heights Drive, Suite A, Oceanside, CA 92056.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
STATEMENT OF NET POSITION
JUNE 30, 2018**

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 135,802
Due from Other Agencies	5,456
Due from Other Charters	18,625
Deposits	1,980
Prepaid Expenses	10,183
Total Current Assets	<u>172,046</u>
Capital Assets (Net)	158,115
Total Assets	<u>330,161</u>
Deferred Outflows	
Related to changes in the net pension liability	<u>296,770</u>
Liabilities	
Current Liabilities	
Payroll Deductions and Withholdings	6,428
Accounts Payable	229,673
Total Current Liabilities	<u>236,101</u>
Net pension liability	489,569
Total Liabilities	<u>725,670</u>
Deferred Inflows	
Related to changes in the net pension liability	<u>103,591</u>
Net Position	
Net investment in Capital Assets	158,115
Unrestricted	(360,445)
Total Net Position	<u>\$ (202,330)</u>

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

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instruction	\$ 561,289	\$ -	\$ 21,582	\$ (539,707)
Instructional Media Services	3,254	-	-	(3,254)
Instruction and Curriculum Development Services	57,204	-	-	(57,204)
Instructional Staff Training	57,954	-	-	(57,954)
Instructional Technology	68,645	-	-	(68,645)
Board	24,781	-	-	(24,781)
General Administration	87,391	-	-	(87,391)
Guidance Services	9,838	-	-	(9,838)
School Administration	213,263	-	-	(213,263)
Facilities Acquisition and Construction	80,826	-	-	(80,826)
Fiscal Services	48,478	-	-	(48,478)
Central Services	42,956	-	-	(42,956)
Transportation	29,350	-	-	(29,350)
Operation of Plant	67,680	-	-	(67,680)
Maintenance of Plant	7,261	-	-	(7,261)
Administrative Technology Services	1,671	-	-	(1,671)
Depreciation (Unallocated)	34,134	-	-	(34,134)
Total Governmental Activities	<u>\$ 1,395,975</u>	<u>\$ -</u>	<u>\$ 21,582</u>	<u>(1,374,393)</u>

General revenues:

State aid not restricted to specific purposes	1,161,919
Miscellaneous	14,079
Total General Revenues	<u>1,175,998</u>
Change in Net Position	<u>(198,395)</u>
Net Position - Beginning	<u>(3,935)</u>
Net Position - Ending	<u>(202,330)</u>

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

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 134,860	\$ 942	\$ 135,802
Due from Other Agencies	1,398	4,058	5,456
Due from Other Charters	18,625	-	18,625
Due from other funds	5,000	-	5,000
Deposits	1,980	-	1,980
Prepaid Expenditures	10,183	-	10,183
Total Assets	<u>\$ 172,046</u>	<u>\$ 5,000</u>	<u>\$ 177,046</u>
Liabilities and Fund Balances			
Current Liabilities			
Payroll Deductions and Withholdings	\$ 6,428	\$ -	\$ 6,428
Accounts Payable	229,673	-	229,673
Due to other funds	-	5,000	5,000
Total Liabilities	<u>\$ 236,101</u>	<u>\$ 5,000</u>	<u>\$ 241,101</u>
Fund Balances			
Nonspendable	\$ 12,163	\$ -	\$ 12,163
Restricted	-	-	-
Unassigned	(76,218)	-	(76,218)
Total Fund Balances	<u>(64,055)</u>	<u>-</u>	<u>(64,055)</u>
Total Liabilities and Fund Balances	<u>\$ 172,046</u>	<u>\$ 5,000</u>	<u>\$ 177,046</u>

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

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balance - Governmental Funds \$ (64,055)

Amounts reported for Governmental Activities in the
Statement of Net Position are Different Because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in
governmental funds:

Cost of capital assets	384,076	
Accumulated depreciation	<u>(225,961)</u>	158,115

Net pension liability and related deferred inflows/outflows are
not due and payable in the current period and, therefore,
are not reported in the funds.

Net pension liability	(489,569)	
Deferred outflows	296,770	
Deferred inflows	<u>(103,591)</u>	(296,390)

Total Net Position - Governmental Activities \$ (202,330)

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

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Federal Through State	\$ -	21,582	21,582
State	1,161,919	-	1,161,919
Local	14,079	-	14,079
Total Revenues	<u>1,175,998</u>	<u>21,582</u>	<u>1,197,580</u>
Expenditures			
Instruction	\$ 503,832	\$ 21,582	\$ 525,414
Instructional Media Services	3,254	-	3,254
Instruction and Curriculum Development	57,204	-	57,204
Instructional Staff Training	57,954	-	57,954
Instructional Technology	68,645	-	68,645
Board	24,781	-	24,781
General Administration	87,391	-	87,391
Guidance Services	9,838	-	9,838
School Administration	185,101	28,162	213,263
Facilities Acquisition and Construction	100,514	-	100,514
Fiscal Services	48,478	-	48,478
Central Services	42,956	-	42,956
Transportation	29,350	-	29,350
Operation of Plant	67,680	-	67,680
Maintenance of Plant	7,261	-	7,261
Administrative Technology Services	1,671	-	1,671
Total expenditures	<u>1,295,910</u>	<u>49,744</u>	<u>1,345,654</u>
Net Changes in Fund Balances	<u>(119,912)</u>	<u>(28,162)</u>	<u>(148,074)</u>
Fund Balances, Beginning of year	55,857	28,162	84,019
Fund Balances, Ending of year	<u>\$ (64,055)</u>	<u>\$ -</u>	<u>\$ (64,055)</u>

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

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Total Net Change in Fund Balances - Governmental Funds \$ (148,074)

Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in:

Net pension liability	(24,217)	
Deferred outflows related to net pension liability	1,671	
Deferred inflows related to net pension liability	<u>(13,329)</u>	(35,875)

This is the amount by which depreciation for the period exceeds capital outlays

Capital outlays	19,688	
Depreciation expense	<u>(34,134)</u>	<u>(14,446)</u>

Change in Net Position of Governmental Activities \$ (198,395)

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

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

(1) **Summary of Significant Accounting Policies:**

(a) **Financial reporting entity**—The Duval MYcroSchool of Integrated Academics and Technologies, Inc. (the “School”) was organized in 2010 under the laws of the State of Florida. The School operates under a seven-member Board form of government and provides educational services to students in grades nine through twelve. The School is located at 1584 Normandy Village Parkway #25, Jacksonville, Florida 32221 and had an enrollment of 184 students.

The School is a non-profit public benefit corporation that was incorporated October 5, 2010. On November 1, 2010, the School Board of Duval County, Florida approved the application for the School to operate a charter. The purpose of the School is to provide educational services.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School consists of all funds, departments, boards, and agencies that are not legally separate from the School. For Duval MYcroSchool of Integrated Academics and Technologies, Inc., this includes general operations and student related activities of the School.

Component units—Component units are legally separate organizations for which the School is financially accountable. Component units may include organizations that are fiscally dependent on the School in that the School approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the School is not financially accountable but the nature and significance of the organization’s relationship with the School is such that exclusion would cause the School’s financial statements to be misleading or incomplete. The School has no component units. However, the School is considered a component unit of the Duval County Public School system.

(b) **Description of government wide financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, are normally supported by intergovernmental revenues, and other nonexchange transactions.

(c) **Basis of presentation—government wide financial statements**—While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

(d) **Basis of presentation—fund financial statements**—The fund financial statements provide information about the government’s funds. A separate statement for the governmental fund category is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Basis of presentation—fund financial statements** (Continued)

The School uses the following major governmental fund:

General fund—The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School for any purpose provided it is expended or transferred according to the general laws of Florida.

During the course of operations the School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

(e) **Measurement focus and basis of accounting**—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, regardless of the timing of related cash flows. Amounts reported as program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Items not properly included among program revenues, such as monies received from the Duval County School Board, are reported as general revenues.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Measurement focus and basis of accounting** (Continued)

All governmental fund financial statements are reported using the current financial resources measurement focus and the 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. 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 School considers revenues to be available if they are collected within 60 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. The principal exceptions to this are: principal and interest on general long-term debt, which are recorded as expenditures only when payment is due.

(g) **Cash and cash equivalents**—The School's cash and cash equivalents are considered to be cash on hand and demand deposits.

(h) **Capital assets and depreciation**—The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the School as a whole. The School maintains a capitalization threshold of \$1,000. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are 5 years for furniture and equipment; and 20 years for building improvements.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

(i) **Accrued liabilities**—All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

(j) **Net position flow assumption**—Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

(k) **Fund balance flow assumptions**—Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

(l) **Revenues**—Amounts reported as program revenues include operating grants and contributions. Items not properly included among program revenues, such as monies received from the Duval County District School Board, are reported as general revenues.

(m) **Fund balance policies**—The School classifies governmental fund balances in various categories based on the nature of limitations requiring the use of resources for specific purposes as follows:

Non-spendable—amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted—amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed—amounts that are constrained for specific purposes, are internally imposed by the School’s governing Board, and do not lapse at year-end.

Assigned—amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance minimums may be assigned by management.

Unassigned—all other spendable amounts.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

(m) **Fund balance policies** (continued)

The School has not adopted a formal minimum fund balance policy but budgets to strive for a minimum general fund balance of five percent of current year expenditures.

(n) **Use of estimates**—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(o) **Budgetary data**—The budgetary process is prescribed by provisions of the laws of Florida and requires the governing board to adopt an operating budget each year. The School governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major function at year end.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

(p) **Income taxes**—The School is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. The School files income tax returns in the U.S. Federal jurisdiction. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination. The School has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the School.

(q) **Pensions**—For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and additions to/deductions from FRS's fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(r) **Subsequent events**—Subsequent events have been evaluated through October 29, 2018, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

(2) **Cash and Cash Equivalents:**

(a) **Policies and practices**—*Custodial credit risk-deposits*. In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School maintains demand deposits with qualified public depository financial institutions.

(b) **Deposits**—At year-end, the carrying amounts of the School's demand deposits were \$135,802 for governmental activities. The bank balances totaled \$147,477. The bank balances were covered by Federal deposit insurance as the balances were less than \$250,000.

(3) **Capital Assets:**

All capital asset additions were acquired with public funds. Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital assets being depreciated				
Buildings and improvements	\$ 191,392	\$ -	\$ -	\$ 191,392
Furniture and equipment	172,996	19,688	-	192,684
Total capital assets being depreciated	<u>364,388</u>	<u>19,688</u>	<u>-</u>	<u>384,076</u>
Less: Accumulated depreciation				
Buildings and improvements	48,314	12,897	-	61,211
Furniture and equipment	143,513	21,237	-	164,750
Total accumulated depreciation	<u>191,827</u>	<u>34,134</u>	<u>-</u>	<u>225,961</u>
Governmental activities Capital assets, net	<u>\$ 172,561</u>	<u>\$ 14,446</u>	<u>\$ -</u>	<u>\$ 158,115</u>

During the year ended June 30, 2018, \$34,134 was charged to depreciation expense.

Governmental Activities	
Unallocated	<u>\$ 34,134</u>

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

(4) **Retirement Plan:**

- (a) **General Information about the Pension Plan**— MYCroSchool Jacksonville (The “School”) participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the School’s full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the School are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Plan Description and Administration

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date.

The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years’ earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years’ earnings.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

(4) **Retirement Plan:** (Continued)

(a) **General Information about the Pension Plan** (Continued)

Plan Description and Administration (Continued)

The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.).

Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

(4) **Retirement Plan:** (Continued)

(a) **General Information about the Pension Plan** (Continued)

Contributions

The School participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at June 30, 2018, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Regular Class	3.00%	7.92%
Senior Management	3.00%	22.71
Special Risk	3.00%	23.27
DROP – Applicable to members above	0.00%	13.26%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

Actual contributions made for School employees participating in FRS and HIS for the each of last three fiscal years ended June 30 were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
School Contributions – FRS	\$ 34,853	\$ 33,157	\$ 29,169
School Contributions – HIS	9,257	9,474	8,801
Employee Contributions – FRS	16,729	16,570	15,376

(b) **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**— At June 30, 2018, the School reported a liability of \$489,569 for its proportionate share of the net pension liability, \$298,118 related to FRS and \$191,451 to HIS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2018 and 2017, the School's FRS proportion was 0.001007859290237% and 0.0010502620801%, respectively. At June 30, 2018 and 2017, the School's HIS proportion was 0.001790524879433% and 0.0017174346341%, respectively. For the year ended June 30, 2018, the School recognized pension expense of \$58,519 from FRS and \$22,043 from HIS, for a grand total of \$80,562.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

(4) **Retirement Plan:** (Continued)

(b) **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

Deferred outflows/inflows related to pensions:

At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,360	\$ (1,651)	\$ -	\$ (399)
Changes of assumptions	100,189	-	26,911	(16,555)
Net different between projected and actual investment earnings	-	(7,388)	106	-
Change in School's proportionate share	48,439	(46,351)	49,080	(31,247)
Contributions subsequent to measurement date	33,733	-	10,952	-
	<u>\$ 209,721</u>	<u>\$ (55,390)</u>	<u>\$ 87,049</u>	<u>\$ (48,201)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from School contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

Year	Amount
2019	\$ 34,952
2020	60,577
2021	37,833
2022	(971)
2023	11,622
Thereafter	4,481
Total	<u>\$ 148,494</u>

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

(4) **Retirement Plan:** (Continued)

(b) **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** (Continued)

Actuarial assumptions. The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine was used to determine the total pension for the program. This rate increased from the prior year rate, which was 2.85%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

Long-Term Expected Rate of Return. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2017, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.0%
Fixed income	18.0%	4.5%
Global equities	53.0%	7.8%
Real estate	10.0%	6.6%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	<u>100.0%</u>	

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

(4) **Retirement Plan:** (Continued)

(b) **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** (Continued)

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate shares of the FRS and HIS net pension liability of the School calculated using the current discount rates, as well as what the School's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.10%	\$ 539,576	\$ 298,118	\$ 97,653
HIS	3.58%	218,471	191,451	168,945

(5) **403(b) Retirement Plan:**

NewCorp sponsors a Retirement Plan allowed by Section 403(b) of the Internal Revenue Code. This plan covers NewCorp, the Management Company, and affiliated schools. The plan covers all full-time employees, immediately eligible upon hire. This is a deduction only plan for School employees, there is no employee contribution matching.

(6) **Risk Management:**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters and is provided through purchased commercial insurance. Health and hospitalization insurance coverage is provided to school employees through purchased commercial insurance. Insurance coverage for fiduciary and student accident are provided by commercial insurance. Settled claims resulting from insurance coverage above have not exceeded purchased insurance coverage for the past three fiscal years.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

(7) **Related Party Transactions:**

The School has a vendor relationship with New Education for the Workplace, Inc., 2611 Temple Heights Drive, Oceanside, CA 92056. New Education for the Workplace, Inc. is an organization formed for charitable purposes, including advancing the vocational and technical education and training of young men and women, and managing, operating, guiding, directing, and promoting charter schools. The School entered into an agreement with New Education for the Workplace, Inc. effective July 1, 2012. Under the agreement, New Education for the Workplace, Inc. will provide the following services: human resources administration, business administration, curriculum licensing, technology services, and general administrative support. In its initial year of operation, New Education for the Workplace, Inc. did not charge the school for services provided under the terms of the agreement. For the year ended June 30, 2018, the School paid New Education for the Workplace, Inc. \$219,747 for services provided under the terms of the agreement. At June 30, 2018, \$214,795 was due and payable to New Education for the Workplace, Inc. under the terms of the agreement. An additional amount of \$12,097 was due to New Education for the Workplace, Inc. for salaries paid to School employees on the School's behalf.

(8) **Operating Leases:**

The School leases facilities under an operating lease expiring on June 30, 2021. Provided the lease is in full force and effect and not in default, the School shall have the right to renew the lease for two five-year terms upon providing the landlord with written notice.

Minimum future rental payments under operating leases (including estimated Common Area Maintenance fees) having remaining terms in excess of one year, for each of the next five years and in the aggregate are:

Year	Amount
2019	\$ 100,246
2020	101,949
2021	104,275
2021	-
2022	-
Totals	\$ 306,470

REQUIRED SUPPLEMENTARY INFORMATION

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variances - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
State	\$ 1,526,279	\$ 1,165,200	\$ 1,161,919	\$ (3,281)
Local	7,580	15,000	14,079	(921)
Total Revenues	<u>1,533,859</u>	<u>1,180,200</u>	<u>1,175,998</u>	<u>(4,202)</u>
Expenditures				
Instruction	636,699	600,000	503,832	96,168
Instructional Media Services	11,058	8,500	3,254	5,246
Instruction and Curriculum Development	46,080	47,000	57,204	(10,204)
Instructional Staff Training	46,080	47,000	57,954	(10,954)
Instructional Technology	81,101	82,000	68,645	13,355
Board	19,500	27,000	24,781	2,219
General Administration	101,116	80,000	87,391	(7,391)
Guidance Services	-	-	9,838	(9,838)
School Administration	279,539	225,000	185,101	39,899
Facilities Acquisition and Construction	10,297	82,000	100,514	(18,514)
Fiscal Services	45,788	50,000	48,478	1,522
Central Services	52,073	42,320	42,956	(636)
Transportation	28,000	33,000	29,350	3,650
Operation of Plant	71,615	65,000	67,680	(2,680)
Maintenance of Plant	6,708	6,708	7,261	(553)
Administrative Technology Services	1,908	1,500	1,671	(171)
Total Expenditures	<u>1,437,562</u>	<u>1,397,028</u>	<u>1,295,910</u>	<u>101,118</u>
Net Change in Fund Balance	<u>96,297</u>	<u>(216,828)</u>	<u>(119,912)</u>	<u>96,916</u>
Fund balance, Beginning of year	55,857	55,857	55,857	-
Fund balance, Ending of year	<u>\$ 152,154</u>	<u>\$ (160,971)</u>	<u>\$ (64,055)</u>	<u>\$ 96,916</u>

The accompanying notes are an integral
part of this schedule.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
LAST 10 FISCAL YEAR AS OF JUNE 30**

	2018	2017	2016	2015
Florida Retirement System (FRS)				
Proportion of the net pension liability (asset)	0.001007859%	0.001050262%	0.001471640%	0.001295709%
Proportionate share of the net pension liability (asset)	\$ 298,118	\$ 265,192	\$ 190,083	\$ 79,057
Covered-employee payroll	530,182	660,815	660,815	578,031
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	56.23%	40.13%	28.76%	13.68%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)				
Proportion of the net pension liability (asset)	0.001790525%	0.001717435%	0.002178167%	0.001945478%
Proportionate share of the net pension liability (asset)	\$ 191,451	\$ 200,160	\$ 222,140	\$ 181,907
Covered-employee payroll	530,182	660,815	660,815	578,031
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.11%	30.29%	33.62%	31.47%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the School will present information for only those years for which information is available.

The accompanying notes are an integral
part of this schedule.

**DUVAL MYCROSCHOOL OF INTEGRATED
ACADEMICS AND TECHNOLOGIES, INC.
SCHEDULE OF CONTRIBUTIONS -
LAST 10 FISCAL YEAR AS OF JUNE 30**

	2018	2017	2016	2015	2014
<u>Florida Retirement System (FRS)</u>					
Contractually required contribution	\$ 34,853	\$ 33,157	\$ 29,169	\$ 40,376	\$ 32,549
Contributions in relation to the contractually required contribution	(34,853)	(33,157)	(29,169)	(40,376)	(32,549)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 557,623	\$ 570,721	\$ 530,182	\$ 660,815	\$ 578,031
Contributions as a percentage of covered-employee payroll	6.25%	5.81%	5.50%	6.11%	5.63%
<u>Health Insurance Subsidy Program (HIS)</u>					
Contractually required contribution	\$ 9,257	\$ 9,474	\$ 8,801	\$ 8,326	\$ 6,936
Contributions in relation to the contractually required contribution	(9,257)	(9,474)	(8,801)	(8,326)	(6,936)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 557,623	\$ 570,721	\$ 530,182	\$ 660,815	\$ 578,031
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.26%	1.20%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the School will present information for only those years for which information is available.

The accompanying notes are an integral
part of this schedule.

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

To the Governing Board,
Duval MYcroSchool of Integrated
Academics and Technologies, Inc.:

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Duval MYcroSchool of Integrated Academics and Technologies, Inc. ("MYCroSchool Jacksonville") as of and for the year ended June 30, 2018, and related notes to the financial statements which collectively comprise MYCroSchool Jacksonville's basic financial statements and have issued our report thereon dated October 29, 2018.

Internal Control over Financial Reporting

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

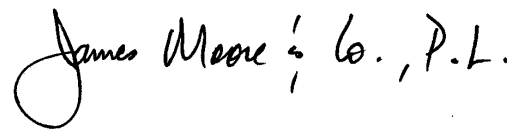
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 MYCroSchool Jacksonville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Tallahassee, Florida
October 29, 2018

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS’
REQUIRED BY CHAPTER 10.850, RULES OF THE AUDITOR GENERAL**

To the Governing Board,
Duval MYcroSchool of Integrated
Academics and Technologies, Inc.:

Report on the Financial Statements

We have audited the financial statements of the Duval Mycroschool of Integrated Academics and Technologies, Inc. (“MYCroSchool Jacksonville”), as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated October 29, 2018.

Auditors’ 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 Requirements

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated October 29, 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. There were no findings and recommendations 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 Duval Mycroschool of Integrated Academics and Technologies, Inc.

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 to communicate whether or not MYCroSchool Jacksonville 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 MYCroSchool Jacksonville 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, require that we apply financial condition assessment procedures for MYCroSchool Jacksonville. It is management's responsibility to monitor MYCroSchool Jacksonville'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. In connection with our audit we noted the following:

Finding 2018-001: Deteriorating financial condition

Criteria: Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General.

Condition: A deteriorating financial condition was noted based on a decrease in revenues as well as a decrease in available working capital to pay current liabilities.

Cause: Declining enrollment as well as loss of PECO funding has resulted in lower revenues.

Effect: A deteriorating financial condition could result in further financial distress for the School.

Recommendation: We recommend management review its current financial condition and take steps to resolve the deteriorating financial condition.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. We recommend management review its current financial condition and take steps to resolve the deteriorating financial condition.

Transparency

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

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires that 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 which warrants the attention of those charged with governance. In connection with our audit, we noted the following:

Finding 2018-002: Emergency and safety training

The School was unable to document in service training related to safety and emergencies.

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, Duval County District School Board, 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.

James Moore & Co., P.L.

Tallahassee, Florida
October 29, 2018

October 29, 2018

James Moore & Co., P.L.
2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308

The response and corrective action plan for the audit findings detailed in Duval MYcroSchool's 2017-18 audit are as follows:

Finding 2018-001: Deteriorating financial condition

Two main causes were identified as the cause of the lower revenues for Duval MYcroSchool, the drop in FTE and loss of PECO funding. The loss in PECO funding was unexpected and was a decision made by the State Charter School Office. This placed more pressure on the unrestricted budget to cover the facility costs of the school. Although we disagreed with this decision we believe that the differences have been improved that will allow Duval MYcroSchool to obtain PECO funding moving forward. The school administration was changed at the beginning of 2018-19 to the prior Principal who maintained fiscal responsibility in the prior Charter School term. The FTE loss has turned around in 2018-19 with an emphasis placed on recruiting students especially those displaced from the non-renewal of Catapult, a drop-out recovery program, at the end of 2017.

To go along with the recruiting efforts and PECO funding to increase revenue streams, on the expenditure side of the budget, steps have been taken to budget conservatively and to lower expenditures. The budget for 2018-19 was based and adopted by the Duval MYcroSchool Board of Directors on an FTE of 200 with an estimated operating excess of revenues over expenditures of \$187,807. Included in this budget, the charter school's management company NEWCorp lowered its licensing fee by 50% to help the charter school be financially stable. Since the start of school, Duval MYcroSchool's first FTE count came in at 226, 26 above the budgeted 200 that will further the improvement of their financial condition.

Finally, NEWCorp has agreed to reduce stress on Duval's financial condition and cash flows to accept payment of past due management fees over a three-year period so the school can grow out of its deteriorating condition.

Finding 2018-002: Emergency and safety training

During the 2017-18 year the Principal of Duval MYcroSchool left unexpectedly during the year. Due to the transition of this key staff member, documents related to in-service training for safety and emergencies were unable to be located although trainings did occur. Since, a new Principal has been hired who knows the importance of these trainings, she will ensure that documentation of attendance of these trainings will be kept and readily available.



Joy Baldree
Chief of Schools
NEWCorp