

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.

***BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION***

Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bright Futures Academy Charter School, Inc.
North Palm Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Bright Futures Academy Charter School, Inc. ("BFA"), a charter school, as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprises Bright Futures Academy Charter School, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of BFA, as of June 30, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 7 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2015, on our consideration of BFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BFA's internal control over financial reporting and compliance.

Infante & Company

Hollywood, FL
September 29, 2015

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Our discussion and analysis of the Bright Futures Academy Charter School, Inc.'s ("BFA") financial program provides an overview of BFA's financial activities for the year ended June 30, 2015. Bright Futures Academy Charter School, Inc. ("BFA") represents the merger of Academy For International Studies, Inc. into Bright Futures International, Inc., effective July 1, 2009. Bright Futures International, Inc. then made a legal name change to Bright Futures Academy Charter School, Inc.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with BFA's financial statements which begin on page 8.

For financial statement purposes, BFA is not considered a component unit of the School District of Palm Beach County, which is a primary government entity for financial reporting. BFA has included separate statements for the Balance Sheet of Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds. The Fund Financial Statements reflect financing activities of BFA by providing information on inflows and outflows of spendable resources, while the Statement of Net Position and the Statement of Activities provide information on the activities of BFA.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of BFA's financial position. Included in these statements are all assets and liabilities using the accrual method of accounting. All of the current year's revenues and expenses are recorded when received.

The Statement of Net Position presents information on all of BFA's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of BFA is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Fund Financial Statements

A *Fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

Governmental Funds - All of BFA'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 an accounting

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

method called modified accrual accounting, 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 BFA's governmental activities and the basic services it provides.

Notes to the 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 14-23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of BFA's financial position. BFA's assets exceeded liabilities by \$377,204 and \$345,984 at June 30, 2015 and 2014, respectively.

NET POSITION

	<u>2015</u>	<u>2014</u>	<u>Variances</u>
Current assets	\$ 177,150	\$ 186,972	\$ (9,822)
Capital assets	<u>281,827</u>	<u>310,035</u>	<u>(28,208)</u>
Total assets	<u>\$ 458,977</u>	<u>\$ 497,007</u>	<u>\$ (38,030)</u>
Current liabilities	\$ 12,796	\$ 83,173	\$ (70,377)
Non-current liabilities	<u>68,977</u>	<u>67,850</u>	<u>1,127</u>
Total liabilities	<u>81,773</u>	<u>151,023</u>	<u>(69,250)</u>
Net Position			
Investment in capital assets net of related debt	\$ 212,850	191,094	\$ 21,756
Unrestricted	<u>164,354</u>	<u>154,890</u>	<u>9,464</u>
Total net position	<u>377,204</u>	<u>345,984</u>	<u>\$ 31,220</u>
Total liabilities and net position	<u>\$ 458,977</u>	<u>\$ 497,007</u>	<u>\$ (38,030)</u>

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Revenues for governmental activities totaled \$4,724,812 and \$5,733,512 for the years ended June 30, 2015 and 2014, respectively. The main source of revenue was from the Florida Education Finance Program ("FEFP"). This revenue represented approximately 88% and 87% for the years ended June 30, 2015 and 2014, respectively.

<u>Revenue Source</u>	<u>2015</u>	<u>2014</u>	<u>Variance</u>
State passed through local school	\$ 4,375,995	\$ 5,310,664	\$ (934,669)
Federal passed through local schools	62,491	68,702	(6,211)
Investment earnings	215	131	84
Other Revenue	<u>286,111</u>	<u>354,015</u>	<u>(67,904)</u>
Total	<u>\$ 4,724,812</u>	<u>\$ 5,733,512</u>	<u>\$ (1,008,700)</u>

Expenses for major functions of BFA are shown in the following table:

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
Instruction	\$ 2,140,580	\$ 2,668,621	\$ (528,041)
Pupil personnel services	128,828	129,941	(1,113)
Instruction & instructional dev	192,500	324,415	(131,915)
Board expenses	11,191	10,670	521
General administration	314,827	413,471	(98,644)
School administration	290,235	370,322	(80,087)
Facilities acquisition & construction	694,589	796,849	(102,260)
Fiscal services	151,254	155,726	(4,472)
Pupil transportation	131,805	180,015	(48,210)
Operation of plant	460,863	528,834	(67,971)
Maintenance of plant	4,760	2,986	1,774
Community services	157,758	107,717	50,041
Interest on long-term debt	<u>14,402</u>	<u>18,616</u>	<u>(4,214)</u>
Totals	<u>\$ 4,693,592</u>	<u>\$ 5,708,183</u>	<u>\$ (1,014,591)</u>

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

FUND FINANCIAL ANALYSIS

Key highlights for the fiscal years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>	<u>Variances</u>
Revenues	\$ 4,724,812	\$ 5,733,512	\$ (1,008,700)
Debt services	(67,243)	(66,647)	(596)
Expenditures	<u>(4,650,982)</u>	<u>(5,653,662)</u>	<u>1,002,680</u>
Change in fund balance	<u>\$ 6,587</u>	<u>\$ 13,203</u>	<u>\$ (6,616)</u>
Fund balance, beginning of year	<u>\$ 157,767</u>	<u>\$ 144,564</u>	<u>\$ 13,203</u>
Fund balance, end of year	<u>\$ 164,354</u>	<u>\$ 157,767</u>	<u>\$ 6,587</u>

CURRENT YEAR VS PRIOR YEAR RESULTS

The 2014-2015 school year was the fourteenth year that BFA enrolled students. Total revenue was \$4,724,812 and \$5,733,512 for the years ended June 30, 2015 and 2014, respectively. The decrease in revenue was the result of BFA losing some of their students to the new charter schools in the area, therefore decreasing the FEFP funds they received during the year. Total expenses were \$4,650,982 and \$5,653,662 for the years ended June 30, 2015 and 2014, respectively. The \$1,002,680 decrease in expenses is also primarily attributable to BFA losing a lot of their students during the year which lead to a decrease in the majority of expense categories, with the largest variance in instruction.

LONG-TERM LIABILITIES

BFA continued to pay down debt during the year ended June 30, 2015. BFA's non-current liabilities amounted to \$68,977 and \$97,897 at June 30, 2015 and 2014, respectively. At June 30, 2015, there are two components of non-current liabilities – a capital lease for \$22,128 and a promissory note for \$46,849.

Additional information of BFA's long-term obligations can be found in Notes H and I on page 21 and 22 of the financial statements.

BUDGETARY HIGHLIGHTS

Actual revenue was only \$2,915 more than budgeted. BFA typically adjusts its budget during the fiscal year, but it didn't budget additional internal funds that were received towards the end of the fiscal year. Actual expenses were only \$8,099 more than budgeted as a result of an audit adjustment posted.

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

ECONOMIC FACTORS

During the fiscal year ended June 30, 2015, BFA was served with a lawsuit for breach of contract for improperly terminating its lease at one of its campuses. BFA believes it had proper grounds to terminate the lease and has defenses against the claim. BFA plans to vigorously defend itself against the lawsuit and believes that it is without merit. No accrual has been made in the accompanying financial statements for any potential liability that may result from the lawsuit.

PROSPECTS FOR THE FUTURE

BFA is searching for outside financing via the issuance of a bond which will allow for the purchase of at least one of its campuses and the prospects of expanding on that facility as well.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Bright Futures Academy Charter School, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bright Futures Academy Charter School, Inc., 10300 Riverside Drive, Palm Beach Gardens, Florida 33410.

Bright Futures Academy Charter School, Inc.
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 97,566
Accounts receivable	1,059
Due from governmental agencies	14,079
Deposits receivable	55,446
Prepaid expense	9,000
Capital Assets, net of accumulated depreciation	<u>281,827</u>
Total assets	<u><u>\$ 458,977</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 11,452
Due to governmental agencies	1,344
Non-current liabilities:	
Due within the year	49,882
Due in more than one year	<u>19,095</u>
Total liabilities	<u>81,773</u>
NET POSITION	
Investment in Capital Assets, net of related debt	212,850
Unrestricted	<u>164,354</u>
Total net position	<u><u>377,204</u></u>
Total liabilities and net position	<u><u>\$ 458,977</u></u>

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

Bright Futures Academy Charter School, Inc.
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 2,140,580	\$ -	\$ 41,285	\$ -	\$ (2,099,295)
Pupil personnel services	128,828	-	1,425	-	(127,403)
Instructional media services	-	-	-	-	-
Instructional and curriculum development	192,500	-	19,781	-	(172,719)
Instructional staff training	-	-	-	-	-
Board expenses	11,191	-	-	-	(11,191)
General administration	314,827	-	-	-	(314,827)
School administration	290,235	-	-	-	(290,235)
Facilities acquisition & construction	694,589	-	-	216,635	(477,954)
Pupil transportation	131,805	-	-	-	(131,805)
Operation of plant	460,863	-	-	-	(460,863)
Maintenance of plant	4,760	-	-	-	(4,760)
Fiscal services	151,254	-	-	-	(151,254)
Community services	157,758	-	-	-	(157,758)
Interest on long-term debt	14,402	-	-	-	(14,402)
Total governmental activities	<u>\$ 4,693,592</u>	<u>\$ -</u>	<u>\$ 62,491</u>	<u>\$ 216,635</u>	<u>(4,414,466)</u>
General Revenues					
State through local school district					4,159,360
Investment earnings					215
Miscellaneous revenues					<u>286,111</u>
Total General Revenues					<u>4,445,686</u>
Change in net position					31,220
Net assets, July 1, 2014					<u>345,984</u>
Net assets, June 30, 2015					<u>\$ 377,204</u>

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

Bright Futures Academy Charter School, Inc.
Balance Sheet - Governmental Funds
June 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
ASSETS				
Cash	\$ 97,566	\$ -	\$ -	\$ 97,566
Accounts receivable	1,059			1,059
Due from governmental agencies	14,079			14,079
Deposits receivable	55,446			55,446
Prepaid expense	9,000			9,000
Total Assets	<u>\$ 177,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,150</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 11,452	\$ -	\$ -	\$ 11,452
Due to governmental agencies	1,344	-	-	1,344
Total Liabilities	<u>12,796</u>	<u>-</u>	<u>-</u>	<u>12,796</u>
FUND BALANCES				
Nonspendable	64,446	-	-	64,446
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	99,908	-	-	99,908
Total Fund Balances	<u>164,354</u>	<u>-</u>	<u>-</u>	<u>164,354</u>
Total Liabilities and Fund Balances	<u>\$ 177,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,150</u>

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

Bright Futures Academy Charter School, Inc.
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015

Fund Balance - Governmental Funds	\$ 164,354
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	
Governmental capital assets	1,090,520
Less accumulated depreciation	(808,693)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Governmental note and capital lease payable	<u>(68,977)</u>
Net Assets of Governmental Activites	\$ <u><u>377,204</u></u>

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

Bright Futures Academy Charter School, Inc.
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Federal passed through local school district	\$ -	\$ 62,491	\$ -	\$ 62,491
State passed through local school district	4,159,360	-	216,635	4,375,995
Interest income	215	-	-	215
Other revenue	286,111	-	-	286,111
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	4,445,686	62,491	216,635	4,724,812
EXPENDITURES/EXPENSES				
Instruction	2,077,885	41,285	-	2,119,170
Pupil personnel services	127,403	1,425	-	128,828
Instructional media services	-	-	-	-
Instructional and curriculum development	172,719	19,781	-	192,500
Instructional staff training	-	-	-	-
Board expenses	11,191	-	-	11,191
General administration	314,827	-	-	314,827
School administration	290,235	-	-	290,235
Facilities acquisition & construction	471,156	-	216,635	687,791
Pupil transportation	131,805	-	-	131,805
Operation of plant	460,863	-	-	460,863
Maintenance of plant	4,760	-	-	4,760
Fiscal services	151,254	-	-	151,254
Community services	157,758	-	-	157,758
Total expenses	4,371,856	62,491	216,635	4,650,982
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues over expenditures	73,830	-	-	73,830
Debt service				
Retirement of principal	52,841	-	-	52,841
Interest	14,402	-	-	14,402
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	6,587	-	-	6,587
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances, July 1, 2014	157,767	-	-	157,767
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances, June 30, 2015	\$ 164,354	\$ -	\$ -	\$ 164,354
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

Bright Futures Academy Charter School, Inc.
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2015

Net Change in fund balances - governmental funds	\$	6,587
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Amounts reported for governmental activities in the statement of net assets are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets		11,300
Less current year depreciation		(39,508)

Repayment of principal is an expenditure in governmental funds, but reduces long-term liabilities in the Statement of Net Position		52,841
		52,841

Change in Net Position of Governmental Activities	\$	31,220
		31,220

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

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Bright Futures Academy Charter School, Inc. ("BFA") represents the merger of Academy For International Studies, Inc. into Bright Futures International, Inc., effective July 1, 2009. Bright Futures International, Inc. then made a legal name change to Bright Futures Academy Charter School, Inc. The prior fund balances were combined for this presentation.

BFA operates as a Charter School pursuant to a Charter School Contract ("the Contract") with the School District of Palm Beach County, Florida ("the District"). Under the Contract, BFA provides an elementary school and middle school education to children who reside in Palm Beach County. The governing body of BFA is the Board of Directors, which is composed of five members.

The general operating authority of BFA is contained in Section 1002.33, Florida Statutes. Effective July 1, 2008, BFA's charter was renewed for a term of 15 years through June 30, 2023. The charter was renewed as provided in Section 1002.33, Florida Statutes, upon mutual consent of the parties and execution of a written renewal. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify BFA in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown.

The financial statements were prepared in accordance with GAS Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which established standards for defining and reporting on the financial reporting entity. The application of these criteria provide for identification of any entities for which BFA is financial accountable and other organization for which the nature and significance of their relationship with BFA are such that exclusion would cause BFA's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of BFA. The BFA has been advised by the District that it is no longer considered a component unit of the District.

2. Government-wide and fund financial statements

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

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs BFA has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement 54 is effective for fiscal years ending June 30, 2015 and establishes the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

- Nonspendable fund balance - includes amounts that are not in a spendable form or are required to be maintained intact and that are not expected to be converted to cash.
- Restricted fund balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- Committed fund balance - includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision-making authority. Commitments may be changed or lifted only by the School taking the same formal action that imposed the constraint originally.
- Assigned fund balance - comprises amounts intended to be used by the School for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Unassigned fund balance - the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

Separate fund financial statements report detailed information about BFA's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of BFA's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government - wide presentation.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

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

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

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

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

General Fund — the general operating fund of BFA. It is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - to account for the proceeds Capital Outlay and other revenues that are legally restricted to expenditures for capital projects.

BFA has a revenue spending policy that provides policy for programs with multiple revenue sources. The board of directors will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-city funds, city funds and funds passed through the District. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The board of directors has the authority to deviate from this policy if it is in the best interest of BFA

4. Budgetary basis of accounting

BFA's annual budgets are adopted for the entire operations for BFA and may be amended by the Board of Directors (the "Board"). Since the budgetary basis differs from generally accepted accounting principles ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation to the excess of revenues over expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

5. Cash

Cash is made up of cash on hand at BFA and/or checking accounts held at a financial institution.

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by BFA as assets an individual or group of like assets with a collective cost of \$1,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. For the year ended June 30, 2015, BFA recorded net capital assets of \$281,827.

Property, plant and equipment of BFA is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Furniture	10
Office equipment	10
Leasehold improvements	5-32
Transportation equipment	5
Computer Equipment	3

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

7. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District to BFA pursuant to the funding provisions included in BFA's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, BFA reports 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 FTE students and related data to the Florida Department of Education (FDE) for funding through the Florida Education Finance Program (FEFP). Funding for BFA is adjusted during the year to reflect revised calculations by the FDE under the FEFP and actual weighted FTE students reported by BFA during designated FTE student survey periods.

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

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Use of estimates

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

9. Income taxes

BFA is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is recorded in the accompanying financial statements.

BFA adopted the provisions of FASB ASC 740 (formerly FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). Under FASB ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of ACS 740 had no impact on the BFA's financial statements. BFA does not believe there are any uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

BFA is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. BFA's federal income tax returns for 2012-2015 remain subject to examination by major tax jurisdictions.

NOTE B - CONCENTRATIONS

1. Revenue sources

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

<u>Sources</u>	<u>Amounts</u>
State funding through local district	\$ 4,375,995
Federal passed through local district	62,491
Other	<u>286,326</u>
	<u>\$ 4,724,812</u>

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE C – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance at June 30, <u>2014</u>	<u>Additions</u>	Adjustments and <u>Deletions</u>	Balance at June 30, <u>2015</u>
Capital assets depreciated:				
Leasehold improvements	\$ 554,213	\$ 1,000	\$ -	\$ 555,213
Furniture, fixtures and equipment	426,070	10,300	-	436,370
Vehicles	6,500	-	-	6,500
Property under capital lease	25,000	-	-	25,000
Computer software	<u>67,436</u>	<u>-</u>	<u>-</u>	<u>67,436</u>
Total assets depreciated	<u>\$ 1,079,219</u>	<u>\$ 11,300</u>	<u>\$ -</u>	<u>\$ 1,090,519</u>
Less Accumulated depreciation				
Leasehold improvements	\$ 395,910	\$ 7,298	\$ -	\$ 403,208
Furniture, fixtures and equipment	299,233	31,710	-	330,943
Vehicles	6,500	-	-	6,500
Property under capital lease	105	500	-	605
Computer software	<u>67,436</u>	<u>-</u>	<u>-</u>	<u>67,436</u>
Total assets depreciated	<u>\$ 769,185</u>	<u>\$ 39,508</u>	<u>\$ -</u>	<u>\$ 808,692</u>
Total governmental activities				
Capital assets, net				<u>\$ 281,827</u>

Depreciation expense was charged to the following functions and programs:

Instruction	\$ 31,710
Facilities	<u>7,798</u>
Total	<u>\$ 39,508</u>

NOTE D – CASH, EQUITY IN POOLED CASH AND INVESTMENTS

Under Chapter 280, Florida Statutes, BFA's deposits must be placed in banks and savings and loans which are qualified as public depositories. BFA maintains cash deposits at a bank in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer and collateral pool. As of June 30, 2015, there were no uninsured bank deposit balances.

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE E - COMMITMENTS

BFA leased property during the year for its administrative and classroom space under various non-cancelable operating leases, which the longest term will expire June 30, 2018. In addition, BFA leased multiple copiers in the ordinary course of business. Total rent expenses for the year ended June 30, 2015 was \$653,249.

Future minimum lease payments required under the lease agreements are approximately as follows:

	<u>Premises</u>	<u>Equipment</u>	<u>Total</u>
June 30:			
2016	\$ 545,898	\$ 15,784	\$ 561,682
2017	566,473	13,540	580,013
2018	347,785	13,540	361,325
2019	-	13,540	13,540
2020	-	11,284	11,284

NOTE F – DEFINED CONTRIBUTION PLAN

BFA offers a defined contribution plan named Bright Futures Academy Charter School, Inc. 401(k) Plan. To be eligible to participate in the plan, participants must be at least 18 years old. Participants can elect to contribute up to 100% of their salary, subject to annual IRS limitations. BFA may make a discretionary contribution at the end of each plan year. For the year ended June 30, 2015, BFA made no contribution to the plan.

NOTE G - RISK MANAGEMENT

BFA is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. BFA purchases commercial insurance for all material risks of loss to which BFA is exposed, including general liability, property and workers compensation.

BFA did not have any settlements that exceeded insurance coverage for the years ended June 30, 2013 – 2015.

NOTE H – CAPITAL LEASE

On March 25, 2014, BFA entered into a capital lease agreement for the purchase of an air-conditioning unit with a total asset value of \$25,000. The lease required no down payment with 72 equal monthly payments. The interest rate was set at the lease inception. Upon final payment of the lease, title to the capital assets will revert to BFA.

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE H – CAPITAL LEASE (continued)

The following is the schedule of the future minimum lease payments under the capital lease:

June 30:	
2016	\$ 5,394
2017	5,394
2018	5,394
2019	5,394
2020	<u>4,945</u>
Total minimum lease payments	26,521
Less: amount representing interest at 23%	<u>(4,393)</u>
Present value of minimum lease payments	<u>\$ 22,128</u>

NOTE I – LONG-TERM DEBT

Notes payable at June 30, 2015 is a promissory note payable to a contractor bearing 15% interest with 36 equal monthly payments of principal and interest of \$5,200 beginning on May 1, 2013 and is unsecured.

The annual requirements to pay principal and interest on the outstanding obligation at June 30 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2016	\$ 46,849	\$ 3,403

Interest expense for the year ending June 30, 2015, amounted to \$11,349.

NOTE J – CONTINGENCY

On May 21, 2015, BFA was served with a lawsuit related to a breach of contract on a lease for one of the locations where BFA was operating. BFA was trying to purchase the same facility, but ultimately the deal was not approved by the town of Juno Beach. There were a number of issues leading to BFA terminating the lease, but most glaringly was the fact that the new owner of the plaza was going occupy a space in the plaza with a drug rehab facility, which obviously is not in the best interest for children and/or a school to operate. At this point in time, the case is at issue and discovery has commenced. Management believes that the ultimate outcome of this lawsuit will not have a material adverse effect on the net position or operations of BFA. As such, no accrual for any contingency loss has been included in these financial statements.

BRIGHT FUTURES ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE K – DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through September 29, 2015, which is the date the financial statements became available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

Bright Futures Academy Charter School, Inc.
Schedule of Revenues, Expenditures and Changes
In Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2015
(Unaudited)

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Federal passed through local school district	\$ -	\$ -	\$ -	\$ -
State passed through local school district	4,892,752	4,159,360	4,159,360	-
Other revenue	352,560	283,411	286,326	2,915
Total revenues	5,245,312	4,442,771	4,445,686	2,915
Expenses				
Instruction	2,456,501	2,069,110	2,077,885	8,775
Pupil personnel services	132,527	127,400	127,403	3
Instructional media services	-	-	-	-
Instructional and curriculum development	235,430	172,717	172,719	2
Instructional staff training	-	-	-	-
Board expenses	12,648	11,190	11,191	1
General administration	375,561	314,823	314,827	4
School administration	314,531	290,232	290,235	3
Facilities acquisition & construction	547,582	464,735	471,156	6,421
Pupil transportation	181,196	131,800	131,805	5
Operation of plant	519,643	463,858	460,863	(2,995)
Maintenance of plant	2,986	4,760	4,760	-
Fiscal services	166,099	151,250	151,254	4
Community services	161,164	161,882	157,758	(4,124)
Total expenses	5,105,868	4,363,757	4,371,856	8,099
Revenues over expenditures	139,444	79,014	73,830	(5,184)
Debt service:				
Retirement of principal	72,000	62,048	52,841	(9,207)
Interest	60,000	11,349	14,402	3,053
Net change in fund balance	7,444	5,617	6,587	970
Fund Balance, July 1, 2014	157,767	157,767	157,767	-
Fund Balance, June 30, 2015	\$ 165,211	\$ 163,384	\$ 164,354	\$ 970

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



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

To the Board Members
Bright Futures Academy Charter School, Inc.
North Palm Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Bright Futures Academy Charter School, Inc., ("BFA", a nonprofit organization), a charter school, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Bright Futures Academy Charter School, Inc.'s basic financial statements and have issued our report thereon dated September 29, 2015.

Internal Control over Financial Reporting

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

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.

Infante & Company

September 29, 2015
Hollywood, Florida



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**Management Letter as Required by the Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors
Bright Futures Academy Charter School, Inc., Florida,
North Palm Beach, FL

Report on the Financial Statements

We have audited the financial statements of the Bright Futures Academy Charter School, Inc., Florida, as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated September 29, 2015.

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 Auditor's 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 September 29, 2015, 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 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 Bright Futures Academy Charter School, Inc.

Financial Condition

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

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the Bright Futures Academy Charter School, Inc. It is management's responsibility to monitor the Bright Futures Academy Charter School, 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.

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 the Bright Futures Academy Charter School, 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 the Bright Futures Academy Charter School, 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 have no such recommendations.

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.


Infante & Company
September 29, 2015