

**Mason Classical Academy, Inc.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Financial Statements  
with Independent Auditors' Reports Thereon**

**June 30, 2015**



**M<sup>c</sup>CRADY | HESS**  
CERTIFIED PUBLIC ACCOUNTANTS

## CONTENTS

	<u>Page</u>
<b>Management’s Discussion and Analysis</b>	1 – 6
<b>Report of Independent Auditors on Basic Financial Statements and Supplementary Information</b>	7 – 8
<b>Basic Financial Statements:</b>	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15 – 24
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule – General Fund	25
<b>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 <i>Government Auditing Standards</i></b>	26 – 27
<b>Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities</i>:</b>	
Management Letter	28 – 30

**MASON CLASSICAL ACADEMY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Management of Mason Classical Academy (the "School"), offers the following narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2015. Since this is the initial year of operations, no comparative information is presented.

Readers are encouraged to use this information in conjunction with information furnished in the School's financial statements. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplemental information.

**FINANCIAL HIGHLIGHTS**

- ❖ Fiscal year 2015 is the School's first year of operations.
- ❖ The School was awarded a contract which expires June 30, 2017.
- ❖ For the fiscal year ended June 30, 2015, the School's revenues exceeded expenses by approximately \$347,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to School's basic financial statements. The School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information to enhance the reader's understanding of the financial condition of School. This document also includes the 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*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, Audits of Charter Schools and Similar Entities.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and the current year changes. The net position is the difference between the School's total assets and total liabilities. Measuring the net position is one way to evaluate the School's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities and 3) component units. The governmental activities include the School's basic services. The business-type activities are those that the School charges for certain services. For the year ended June 30, 2015, the School had no business-type activities or component units.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. All of the operations of the School are presented in governmental funds only.

## **Governmental Funds**

Governmental funds are used to account for those functions reported as governmental activities. The School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what money left at year-end is available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view of the financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for its general fund, as required by the Florida Statutes. The budget is legally adopted by management of the School and its Board. The budgetary comparison schedule has been included as part of the required supplementary information. The budgetary comparison schedule shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges and ending balances in the general fund, and 4) the variance between the final budget and the actual resources and charges.

## **Notes to Financial Statements**

The notes to financial statements provide additional information essential to the full understanding of the information reported in the government-wide and fund financial statements. The notes to the financial statements start on page 15 of this report.

## GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

### Net Position

The School's combined net position as of June 30, 2015 is summarized as follows:

<b>Assets:</b>	
Current assets	\$ 310,360
Capital assets, net	<u>745,386</u>
Total assets	<u>1,055,746</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	1,455
Long-term liabilities	<u>730,958</u>
Total liabilities	<u>732,413</u>
<b>Net Position:</b>	
Investment in capital assets, net of related debt	14,428
Unrestricted	<u>308,905</u>
Total net position	<u>\$ 323,333</u>

The School has been in operations for one year; therefore, a comparative government-wide financial analysis is not presented.

## Change in Net Position

The School's total revenues exceeded expenses by approximately \$347,000 in fiscal 2015—see table below.

<b>Revenues:</b>	
State and local sources	\$ 2,947,841
Contributions and other revenue	<u>254,066</u>
Total revenues	<u>3,201,907</u>
<b>Expenses:</b>	
Instruction	1,647,595
Pupil personnel services	81,683
Instructional media services	233
Instructional staff training	14,308
Board	107,421
General administration	87,639
School administration	310,928
Food services	8,556
Operation of plant	545,010
Community services	5,856
Interest	<u>45,041</u>
Total expenses	<u>2,855,270</u>
Change in net position	<u><u>\$ 346,637</u></u>

The School has been in operations for one year; therefore, a comparative statement of activities analysis is not presented.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

### Governmental Funds

The focus of School's governmental funds is to provide information on near term inflows, outflows, and balances of usable resources. Such information is useful in assessing School's financing requirements. Specifically, unassigned fund balance is a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the School completed the year, its governmental funds reported a combined fund balance of \$308,905.

### General Fund Budgetary Highlights

During the fiscal year, the School did not amend its budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize changes in funding amounts; and 3) changes in appropriations that become necessary to maintain services.

In the general fund, actual revenues exceeded budgeted amounts by approximately \$41,000. The variance in budget amounts is primarily due to additional contributions received that the School did not budget for. Expenditures were approximately \$90,000 less than budgeted amounts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal 2015, the School had invested approximately \$745,000 in capital assets, net of accumulated depreciation of approximately \$54,000.

<b>Capital assets</b>	
Leasehold improvements	\$ 588,739
Furniture, fixtures and equipment	86,420
Construction in progress	124,474
Total capital assets	<u>799,633</u>
Accumulated depreciation	<u>(54,247)</u>
Capital assets, net	<u>\$ 745,386</u>

This year's major capital asset additions included the following:

- Leasehold improvements - \$445,265
- Computers and software - \$42,886
- Furniture, fixtures and equipment - \$43,534

More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

## **Long-term Liabilities**

Long-term liabilities increased approximately \$331,000 due to new borrowings in the current year less current year principal payments. The school paid interest of approximately \$45,000 during fiscal year June 30, 2015. More detailed information about the School's long-term liabilities is presented in Note 3 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

### **Budget Highlights for the Fiscal Year Ended June 30, 2016**

Amounts available for appropriation in the general fund are approximately \$4.7 million, an increase of approximately \$1.5 million over the actual 2015 amount. The change is due to a budgeted increase in student population to 676, as compared to 414 as of the end of fiscal 2015.

Budgeted expenditures in the general fund are approximately \$4.6 million, an increase of approximately \$1.7 million, inclusive of other financing sources. The increase is primarily due to an additional instructional personnel and other operating cost to accommodate the increase in student population.

If these estimates are realized, the School's general fund balance is expected to increase by the fiscal year ending June 30, 2016.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 3073 Horseshoe Dr. S. Ste 104 Naples, FL 34104.





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CERTIFIED PUBLIC ACCOUNTANTS

## **Report of Independent Auditors on Basic Financial Statements and Supplementary Information**

To the Board of Directors of Mason Classical Academy, Inc.  
a Charter School and Component Unit of the District  
School Board of Collier County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Mason Classical Academy, a Charter School and Component Unit of the District School Board of Collier County, Florida, (the "School") as of and for the year ended June 30, 2015, 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 opinion.

## 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 the School, as of June 30, 2015, 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 budgetary comparison information on pages 1 - 6 and 25 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 August 4, 2015, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the School's internal control over financial reporting and compliance.

*McCRA DY HESS*

Maitland, Florida  
August 4, 2015

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Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Statement of Net Position**

**June 30, 2015**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 287,419
Deposits	22,941
Capital assets:	
Leasehold improvements	588,739
Furniture, fixtures and equipment	86,420
Construction in progress	124,474
Less accumulated depreciation	<u>(54,247)</u>
Total capital assets, net	<u>745,386</u>
Total assets	<u><u>\$ 1,055,746</u></u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 1,455
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	57,035
Portion due or payable after one year:	
Notes payable	<u>673,923</u>
Total liabilities	<u>732,413</u>
<b>Net Position</b>	
Invested in capital assets, net of related debt	14,428
Unrestricted	<u>308,905</u>
Total net position	<u>323,333</u>
Total liabilities and net position	<u><u>\$ 1,055,746</u></u>

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

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Statement of Activities**

**For the Year Ended June 30, 2015**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 1,647,595	\$ -	\$ -	\$ -	\$ (1,647,595)	\$ (1,647,595)
Pupil personnel services	81,683	-	-	-	(81,683)	(81,683)
Instructional media services	233	-	-	-	(233)	(233)
Instructional staff training	14,308	-	-	-	(14,308)	(14,308)
Board	107,421	-	-	-	(107,421)	(107,421)
General administration	88,639	-	-	-	(88,639)	(88,639)
School administration	310,928	-	-	-	(310,928)	(310,928)
Food services	8,556	-	-	-	(8,556)	(8,556)
Operation of plant	545,010	-	-	-	(545,010)	(545,010)
Community services	5,856	-	-	-	(5,856)	(5,856)
Interest	45,041	-	-	-	(45,041)	(45,041)
<b>Total primary government</b>	<b>\$ 2,855,270</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(2,855,270)</b>	<b>(2,855,270)</b>
General revenues:						
State and local sources					2,947,841	2,947,841
Contributions and other revenues					254,066	254,066
Total general revenues					3,201,907	3,201,907
Changes in net position					346,637	346,637
Net position at beginning of year					(23,304)	(23,304)
Net position at end of year					<b>\$ 323,333</b>	<b>\$ 323,333</b>

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

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Balance Sheet - Governmental Funds**

**June 30, 2015**

	<b>General Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 287,419
Deposits	22,941
Total assets	<u>\$ 310,360</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	<u>\$ 1,455</u>
Total liabilities	<u>1,455</u>
<b>Fund Balance</b>	
Nonspendable:	
Deposits	22,941
Spendable:	
Unassigned	<u>285,964</u>
Total fund balance	<u>308,905</u>
Total liabilities and fund balance	<u>\$ 310,360</u>

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

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Position**

**June 30, 2015**

**Total fund balance - general fund** **\$ 308,905**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the capital assets are \$799,633, and the accumulated depreciation is \$54,247.

745,386

Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Notes payable

(730,958)

**Total net position - governmental activities**

**\$ 323,333**

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

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida  
Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds**

**For the Year Ended June 30, 2015**

	<b>General Fund</b>	<b>Capital Project Funds</b>	<b>Debt Service Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
State and local sources	\$ 2,947,841	\$ -	\$ -	\$ 2,947,841
Contributions and other revenues	254,066	-	-	254,066
Total revenues	<u>3,201,907</u>	<u>-</u>	<u>-</u>	<u>3,201,907</u>
<b>Expenditures</b>				
Current:				
Instruction	1,637,038	-	-	1,637,038
Pupil personnel services	81,683	-	-	81,683
Instructional media	233	-	-	233
Instructional staff training	14,308	-	-	14,308
Board	107,421	-	-	107,421
General administration	88,639	-	-	88,639
School administration	308,289	-	-	308,289
Food services	8,556	-	-	8,556
Operation of plant	503,959	-	-	503,959
Community services	5,856	-	-	5,856
Debt service:				
Principal	-	-	49,042	49,042
Interest	-	-	45,041	45,041
Capital outlay	-	656,159	-	656,159
Total expenditures	<u>2,755,982</u>	<u>656,159</u>	<u>94,083</u>	<u>3,506,224</u>
Excess (deficiencies) of revenue over expenditures	<u>445,925</u>	<u>(656,159)</u>	<u>(94,083)</u>	<u>(304,317)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of debt	-	380,000	-	380,000
Operating transfer in	-	276,159	94,083	370,242
Operating transfer out	<u>(370,242)</u>	<u>-</u>	<u>-</u>	<u>(370,242)</u>
Total other financing sources	<u>(370,242)</u>	<u>656,159</u>	<u>94,083</u>	<u>380,000</u>
Net changes in fund balance	75,683	-	-	75,683
Fund balance at beginning of year	<u>233,222</u>	<u>-</u>	<u>-</u>	<u>233,222</u>
Fund balance at end of year	<u>\$ 308,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,905</u>

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

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

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

**For the Year Ended June 30, 2015**

**Net changes in fund balance - general fund** **\$ 75,683**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$656,159) exceeds depreciation expense (\$54,247) in the current period. 601,912

Proceeds from issuance of long-term debt are reported as an other financial source in the governmental funds. However, in the statement of net position, the amount of funds borrowed is reported as an increase in long-term debt liabilities. (380,000)

Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. 49,042

**Change in net position of governmental activities** **\$ 346,637**

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



**MASON CLASSICAL CHARTER ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Notes to Financial Statements**

**For the Year Ended June 30, 2015**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Mason Classical Academy (the "School"), is a not-for-profit corporation that operates under a charter approved by the sponsoring district, the District School Board of Collier County Florida (the "School Board"). The governing body of the School is the Board of Directors of School, which is composed of at least three members.

**Charter Contract**

The current charter expires June 30, 2017 and may be renewed for a maximum of an additional fifteen years by mutual written agreement between the School and the School Board. Upon the expiration of the charter, the School Board may elect not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter expiration. However, the School Board may terminate the current charter at any time if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board.

**Basis of Presentation**

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions in the Florida Statutes, the School is considered as a governmental organization for financial statement reporting purposes. The School is required by its agreement with the School Board to use the governmental reporting model and follow the fund and accounting structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools – The Red Book" issued by the FDOE.

**Government-Wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the School in a manner similar to those of a private-sector business. The statement of net position and statement of activities are designed to provide financial information as a whole about the School on an accrual basis of accounting. The statement of net position provides information about the School's financial position, its assets and liabilities, using an economic resources measurement focus.

The statement of activities presents a comparison between direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function, therefore, are clearly identifiable to a particular function.

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Notes to Financial Statements  
(continued)**

Program revenues include charges paid by the recipient for goods and services offered by the program, grants and contributions restricted for meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenue.

**Fund Financial Statements**

The governmental fund financial statements report detailed information about the School's most significant funds, not the School as a whole. A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance related requirements. Certain funds are established by law while others are created by grant agreements. The following are major individual governmental funds reported in the fund financial statements:

- General Fund – is the School's primary operating fund that accounts for all financial resources of the school, except those required to be accounted for in another fund.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.
- Debt Service Fund – to account for the accumulation of resources for, and payment of general long-term debt principal, interest, and related costs.

For the purpose of these statements, the general, capital projects and debt service funds are considered major funds.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reports in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred, regardless of the timing the related cash flows take place.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenues are recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Notes to Financial Statements  
(continued)**

governmental funds. Proceeds of general long-term debt and acquisition of capital leases are reported as other financing sources.

**Budgetary Basis Accounting**

Budgets are prepared using the modified accrual basis of accounting and the governing board must approve all budgets and amendments. During the fiscal year, expenditures were controlled at the object level. Budgets may be amended by resolution of the Board prior to the date of the annual report.

**Cash and Cash Equivalents**

The School's cash and cash equivalents consist primarily of demand deposits with financial institutions.

The School maintains its cash with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant risks.

**Capital Assets and Depreciation**

The School's capital assets with useful lives of more than one year are stated at historical cost and reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value on the date of donation. The School capitalizes assets with a cost of \$750 or more. Expenditures of normal maintenance and repair that do not add to the assets' value or extend the useful lives are not capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

	<u>Years</u>
Leasehold Improvements	14
Furniture, fixtures and equipment	3-7

**Interfund Transfers**

The School reports its capital projects and debt service as major funds. For the year ended June 30, 2015, the general fund transferred approximately \$370,000 to the other funds for the current year capital projects expenditures and debt service payments.

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Notes to Financial Statements  
(continued)**

**Net Position and Fund Balance Classifications**

*Government-Wide financial statements*

Net Position is classified and reported in three components:

- Investment in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted – consists of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted – all other amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund financial statements*

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

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in not spendable form.
- Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance classification includes amounts that are intended to be used by the School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

This statement also clarifies the definition of the special revenue fund to denote that the special revenue may be used to account for the proceeds of specific revenue sources (other than trust for individual, private organizations or other governmental or for major capital projects) legally restricted to expenditures for specified purposes.

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Notes to Financial Statements  
(continued)**

**Order of Fund Balance Spending Policy**

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

**Revenue Sources**

Revenues for operations are received primarily from the District School Board of Collier County Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the School District. The School Board receives a 5% administrative fee from the School, which is withheld from the respective FEFP payments. The administrative expense is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. The administrative fee is calculated on the FEFP revenue up to 250 students.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey period. The FDOE may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Generally, such adjustments are treated as reductions or additions of revenues in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the year ended June 30, 2015, the School reported 413.94 unweighted FTE.

The School received additional funding under other federal and state grants. This assistance is generally received based on applications submitted to various granting agencies. For federal and state grants in which funding is awarded based on incurring eligible expenditures, revenue is recognized as the amount of eligible expenditures have been incurred.

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Notes to Financial Statements  
(continued)**

**Use of Estimates**

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

**2 CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets:</b>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 124,474	\$ -	\$ 124,474
Capital assets being depreciated				
Leasehold improvements	143,474	445,265	-	588,739
Furniture, fixtures and equipment	-	86,420	-	86,420
Total capital assets	<u>143,474</u>	<u>656,159</u>	<u>-</u>	<u>799,633</u>
<b>Accumulated depreciation:</b>				
Leasehold improvements	-	(41,051)	-	(41,051)
Furniture, fixtures and equipment	-	(13,196)	-	(13,196)
Total accumulated depreciation	<u>-</u>	<u>(54,247)</u>	<u>-</u>	<u>(54,247)</u>
Capital assets, net	<u>\$ 143,474</u>	<u>601,912</u>	<u>-</u>	<u>\$ 745,386</u>
<b>Depreciation expense:</b>				
Instruction		\$ 10,557		
School administration		2,639		
Operation of plant		41,051		
Total governmental activities depreciation expense		<u>\$ 54,247</u>		

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Notes to Financial Statements  
(continued)**

**3 LONG-TERM LIABILITIES**

The School's long-term note payables as described below:

Unsecured note payable. Terms include monthly principal and interest payments of \$2,271, with a fixed interest rate of 6.5% per annum. The note payable matures June 2024.	\$ 185,400
Unsecured note payable. Terms include monthly principal and interest payments of \$568, with a fixed interest rate of 6.5% per annum. The note payable matures June 2024.	46,348
Unsecured note payable. Terms include monthly principal and interest payments of \$568, with a fixed interest rate of 6.5% per annum. The note payable matures June 2024.	46,348
Unsecured note payable. Terms include monthly principal and interest payments of \$1,135, with a fixed interest rate of 6.5% per annum. The note payable matures June 2024.	92,695
Unsecured note payable. Terms include monthly principal and interest payments of \$568, with a fixed interest rate of 6.5% per annum. The note payable matures July 2024.	46,348
Unsecured note payable. Terms include monthly principal and interest payments of \$1,135, with a fixed interest rate of 6.5% per annum. The note payable matures July 2024.	92,696
Unsecured note payable. Terms include monthly principal and interest payments of \$341, with a fixed interest rate of 6.5% per annum. The note payable matures July 2024.	27,808
Unsecured note payable. Terms include monthly principal and interest payments of \$1,135, with a fixed interest rate of 6.5% per annum. The note payable matures September 2024.	93,315
Unsecured note payable. Terms include monthly principal and interest payments of \$1,082, with a fixed interest rate of 8.0% per annum. The note payable matures June 2027.	100,000
	<u>\$ 730,958</u>

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Notes to Financial Statements  
(continued)**

The following is a summary of changes in the note payable for the year ended June 30, 2015:

Balance outstanding at the beginning of the year	\$	400,000
Addition		380,000
Reduction		<u>(49,042)</u>
Balance outstanding at the end of the year	\$	<u>730,958</u>

Future debt service related to the long-term liabilities is as follows as of June 30, 2015:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 57,035	\$ 44,583	\$ 101,618
2017	62,272	43,374	105,646
2018	66,530	39,116	105,646
2019	71,080	34,566	105,646
2020	75,944	29,701	105,646
2021-2025	371,402	65,603	437,005
2026 - 2028	26,695	2,566	29,260
Total	<u>\$ 730,958</u>	<u>\$ 259,509</u>	<u>\$ 990,467</u>

Interest paid during the year ended June 30, 2015 totaled approximately \$45,000.

**4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

**District School Board of Collier County, Florida:**

Florida Education Finance Program	\$ 1,820,933
Class size reduction	507,160
Discretionary local effort	441,312
Supplemental academic instruction	80,718
ESE guaranteed allocation	73,196
Instructional materials	32,062
Safe schools	6,638
Discretionary lottery funds	1,498
Proration to funds available	<u>(15,676)</u>
Total	<u>\$ 2,947,841</u>



**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Notes to Financial Statements  
(continued)**

The administrative fee paid to the School Board during the year ended June 30, 2015 totaled approximately \$88,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund – governmental funds.

**5 RISK MANAGEMENT PROGRAM**

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

**6 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at year end may be impaired.

Management believes there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Legal matters**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse on the accompanying financial statements.

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Notes to Financial Statements  
(continued)**

**Lease commitments**

The School leases its facility under an operation lease agreement, which is implemented in four separate phases. Phases I, II, and III commenced during fiscal year 2015. Phase IV will be implemented effective October 2015. The lease expires June 2020. The lease requires the School to pay property taxes, insurance and normal maintenance costs.

Future minimum payments under this lease agreement are as follows:

<b>Year ended June 30:</b>	
2016	\$ 429,395
2017	465,014
2018	478,783
2019	493,178
2020	508,198
Total lease payments	<u>\$ 2,374,568</u>

**7 INCOME TAXES**

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. The School's income tax return for 2013 is subject to examination by tax authorities.

**8 SUBSEQUENT EVENTS**

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through August 4, 2015 which is the date the financial statements were available to be issued.

**MASON CLASSICAL ACADEMY, INC.**

**A Charter School and Component Unit of the  
District School Board of Collier County, Florida**

**Required Supplementary Information**

**Budgetary Comparison Schedule - General Fund**

**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
State and local sources	\$ 2,959,490	\$ 2,959,490	\$ 2,947,841	\$ (11,649)
Contributions and other revenue	201,841	201,841	254,066	52,225
<b>Total revenues</b>	<b>3,161,331</b>	<b>3,161,331</b>	<b>3,201,907</b>	<b>40,576</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	1,784,359	1,784,359	1,637,038	(147,321)
Pupil personnel services	97,075	97,075	81,683	(15,392)
Instructional media	-	-	233	233
Instructional staff training	12,500	12,500	14,308	1,808
Board	86,903	86,903	107,421	20,518
General administration	63,827	63,827	88,639	24,812
School administration	338,644	338,644	308,289	(30,355)
Food services	1,575	1,575	8,556	6,981
Operation of plant	461,065	461,065	503,959	42,894
Community services	-	-	5,856	5,856
<b>Total expenditures</b>	<b>2,845,948</b>	<b>2,845,948</b>	<b>2,755,982</b>	<b>(89,966)</b>
Excess (deficiency) of revenue over expenditures	315,383	315,383	445,925	130,542
<b>Other Financing Sources (Uses)</b>				
Operating transfer out	(109,006)	(109,006)	(370,242)	(261,236)
<b>Total other financing sources</b>	<b>(109,006)</b>	<b>(109,006)</b>	<b>(370,242)</b>	<b>(261,236)</b>
Net change in fund balance	206,377	206,377	75,683	(130,694)
Fund balance at beginning of year	233,222	233,222	233,222	-
<b>Fund balance at end of year</b>	<b>\$ 439,599</b>	<b>\$ 439,599</b>	<b>\$ 308,905</b>	<b>\$ (130,694)</b>

See report of independent auditors.



**M<sup>C</sup>CRADY | HESS**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based  
On an Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards***

To the Board of Directors of Mason Classical Academy, Inc.  
A Charter School and Component Unit of the District  
School Board of Collier County, 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 Mason Classical Academy, Inc (the "School"), a charter school and component unit of the District School Board of Collier County, Florida, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 4, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

This report is intended solely for the information and use of management of the School, the District School Board of Collier County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*McCradly Hess*

Maitland, Florida  
August 4, 2015

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**Additional Information Required by  
Rules of the Auditor General,  
Chapter 10.850, *Audits of Charter Schools  
and Similar Entities***



**M<sup>C</sup>CRADY | HESS**  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of Mason Classical Academy, Inc.  
a Charter School and Component Unit of the District  
School Board of Collier County, Florida

**Report on the Financial Statements**

We have audited the financial statements of Mason Classical Academy, Inc. (the “School”) as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated August 4, 2015.

**Auditor’s Responsibility**

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

**Other Reports and Schedules**

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.

**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. This was the first year of operations for Mason Classical Academy, Inc. and this is the first 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 Mason Classical Academy, INC.

**Financial Condition**

Sections 10.854(1)(e)2. Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management’s responsibility to monitor the School’s financial condition, and our financial condition assessment was based in

part on representations made by management and the review of financial information provided by same.

### **Transparency**

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

### **Other Matters**

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

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

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and 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.

*McCRA DY HESS*

Maitland, Florida  
August 4, 2015

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