

THE MALONEY FOUNDATION, INC.

d/b/a

DREAM ACADEMY SCHOOLS

INDEPENDENT ACCOUNTANTS' REPORT ON

APPLYING AGREED-UPON PROCEDURES

JULY 1, 2020 TO JUNE 30, 2021

**Independent Accountant's Report on Applying Agreed-Upon Procedures
for 2020-2021 School Year**

To Step Up For Students Scholarship Funding Organization:

We have performed the procedures enumerated below, which were agreed to by Step Up For Students Scholarship Funding Organization, solely to assist the specified parties in evaluating The Maloney Foundation, Inc. d/b/a Dreams Academy Schools' compliance with the requirements of Florida Statute 1002.421(1)(q) during the school year ended June 30, 2021. The Maloney Foundation, Inc. d/b/a Dreams Academy Schools' management is responsible for compliance with those requirements.

The school has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of solely assisting the specific parties in evaluating the school's compliance with the requirements of Florida Statute 1002.421(1)(q) during the school year ended June 30, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all items of interest to a user of this report and may not meet the needs of all users of this report and. As such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institution of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the requirements of Florida Statute 1002.421(1)(q) during the school year ended June 30,2021. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Step Up For Students, Florida Department of Education and The Maloney Foundation, Inc. d/b/a Dreams Academy Schools' management and is not intended to be and should not be used by anyone other than these specified parties.

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September 9, 2021*

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The Agreed Upon Procedures

I. School Eligibility

- A. Obtain and include a copy of the compliance letter or other proof of eligibility from the Florida Department of Education. Determine whether the proof of eligibility covers the Fiscal Year and Scholarships for which the AUP is being performed.

Response: Obtained letter and determined that the proof of eligibility covers the entire fiscal year. See attached.

- B. Report any exceptions found as Material Exceptions.

Response: No Material Exceptions noted.

II. Adequate Accounting System:

- A. Identify and document the name of the accounting software or systems used to maintain the school's financial records.

Response: The accounting software used by the school is GnuCash.

- B. Determine if the accounting software or systems used allows the school to record financial transactions conducted including deposits and disbursements, in a complete and self-balancing accounting system. The software or system should be capable of generating a trial balance, financial statements, student account statements and other subledger reports.

Response: The GnuCash accounting software enables the school to record financial transactions conducted by the school including deposits and disbursements in a complete and self-balancing accounting system and it is also capable of generating a trial balance, financial statements and other sub-ledgers including student account statements.

- C. If a separate non-self-balancing system for student account statements is used, determine whether it is regularly reconciled to the general ledger.

Response: The school does not use a separate non-self-balancing system.

Report any exceptions found as Material Exceptions.

Response: No Material Exceptions noted.

III. Adequate System of Financial Controls:

A. Cash Balances:

1. Verify if the school's Scholarship Funds are held at a federally insured depository institution. If funds are not held at a federally insured depository institution, report as a Reportable Exception.

Response: We verified that the school's Scholarship Funds are held at Wells Fargo Bank, a member of the Federal Deposit Insurance Corporation (FDIC).

No Reportable Exceptions noted.

2. Inspect three months' statements (including the June 30th Fiscal Year-end statement) for all bank and investment accounts holding Scholarship Funds and determine whether the average daily account balance exceeds the FDIC limit of \$250,000 during the month's statements being inspected.

If the FDIC limit is exceeded, inspect any documentation indicating that the school annually reviews the bank's rating by a reputable ratings provider, which may include, but is not limited to Bauer Financial, Fitch, Moody's, Standard and Poor's.

- a. If the school took no such action to protect the Scholarship Funds, report as a Reportable Exception.
- b. If the rating is lower than the top two ratings on the scale, report as a Reportable Exception.

Response: We inspected the bank statements for the months of September 2020, October 2020 and June 2021. During these months, the daily account balance did not exceed the FDIC limit of \$250,000.

No Reportable Exception noted.

B. Non-school Expenses:

1. Scan the school's general ledger and inquire if another organization's (i.e., affiliated church or other school) expenses are disbursed from the school's bank account and if so, if they are being identified and/or tracked separately from the school's expenses.

Response: We scanned the general ledger and made inquiries with the School's principal. We noted there are no non-school expenses or other organizations that share the same bank account.

2. Select a sample of 5 expenses from the other organization(s) and determine whether they are being identified and reported separately from school expenses.

Response: There are no non-school expenses or other organizations that share the same bank account.

3. Report any exceptions found as Material Exceptions.

Response: No Material Exception noted

C. Internal Controls:

1. Inquire if the school has written policies or standard practices to establish proper financial controls including segregation of duties and the policies or practices are being consistently followed for:
 - i. Cash Receipts
 - ii. Capital Expenditures
 - iii. Payroll –including time and attendance, calculations and pay rate and deduction changes.
 - iv. Operating Expenditures; and
 - v. Shared costs - Costs shared by the school with another organization (administrative salaries, facilities, etc.) *should be allocated between the organizations in a systematic and rational approach.*

Response:

Cash Receipts –

Purpose: To establish and maintain a reliable procedure for the handling of all cash receipts to include: Currency, coins, checks, and credit card transactions.

Scope: This financial policy applies to ALL Dream Academy School employees that accept any form of payment from parents, students, or outside entities on behalf of the school. This scope includes activities at all campuses, events, and locations that Dream Academy does business.

Policy: Dream Academy's Program Manager is responsible for the handling and record keeping of all cash receipts. Any cash receipts are to be turned into the Program Manager within 24 hours and signed by the employee handling it and the Program Manager. All receipts are kept in an organized filing cabinet that will periodically be turned over to the Board of Dream Academy School for routine audit.

Capital Expenditures –

Purpose: This policy stands to outline all guidelines and procedures to prioritizing and approving all capital expenditures.

Scope: This document applies to all major transactions for new constructions, major repairs, renovations, the purchase of any new vehicles, or real estate that may total up to \$2500 or more.

Policy: All capital expenditures for Dream Academy will be processed and handled by the President. Any expenditure over \$10,000 will require Board Approval. When proposing a capital expense, you must provide all supporting documentation such as multiple estimates and justification.

Payroll –

Method of payment: Employees are paid monthly via direct deposit. All new employees are required to sign up for direct deposit. Employees are encouraged to use SurePayroll to view payroll statements online.

Mandatory deductions include: Federal and state income taxes (based on an individual's filing status) Social Security taxes; and Medicare taxes.

Approval Process: The President will approve payroll monthly through the automated payroll system, Sure Payroll. The Chief Administrator will have backup approval ability.

Reimbursement for work related expenses: Employees are reimbursed for reasonable expenses such as new learning materials, gas in the event of a field trip, and other expenses pre-approved by the President of Dream Academy.

Operating Expenditures –

Purpose: This policy will establish Dream Academy's procedures necessary to the management and approval of any disbursements to any outside entities.

Scope: All Dream Academy School employees are expected to adhere to this policy.

Policy:

1. All cash, check, credit/debit card purchases, and online bank transfers are secured and controlled by the Program Manager.
2. All disbursing of funds at the school are done through the Program Manager's office and require a second signature from the Onsite Administrator.
3. All expenditures made using cash, check, or credit/debit card will be recorded in a ledger kept securely in the Program Manager's office.
4. Any expenses over \$250 will require prior approval from the President of Dream Academy.

Shared Costs – not applicable

2. In the absence of written policies, briefly describe the standard practices used to establish proper financial controls over the transactions listed in III(C)(1) above.

Response: The school has written policies and procedures.

3. See associated procedures in step IV(B)(2) (*Student payments*) and V(B) (*Education related expenses*);

Response: We performed the associated procedures as prescribed.

4. Report any exceptions found in steps III(C)(1-3) as Material Exceptions.

Response: The results of testing procedures noted above in III(C)(3) are documented below in the appropriate sections, VI(B-C) and V(B).

No Material Exceptions noted.

D. Bank Reconciliations:

1. Inquire if reconciliations of all bank accounts are completed within 60 days of each month end including a documented independent review done by the school's management and resolution of any reconciling items are in process prior to the Bank's deadline for reporting errors.

Response: By inquiry, all bank reconciliations are completed and independently reviewed within 60 days of each month end.

2. Using the bank statements inspected in step III(A)(2) above, inspect the associated bank reconciliations and determine whether they were completed within the guidelines outlined in III(D)(1) above.

Response: We inspected bank reconciliations for the months of September 2020, October 2020 and June 2021. All reconciliations tested were completed within the prescribed time frame and included a documented independent review.

3. Report any exceptions found in steps III(D)(1-2) as Material Exceptions.

Response: No Material Exceptions noted.

E. Budgets and Financial Statements:

1. Inquire if an annual budget is prepared and approved by the school's governing body before the start of each fiscal year. Also inquire if any budget amendments were made and approved thereafter, and if actual results are periodically reviewed in comparison to budgeted amounts and reported to the school's governing body at least twice annually.

Response: Per inquiry we noted that the organization prepared a budget that was approved by the school's governing body before the start of the school year. We noted there were no amendments made during the Fiscal year. We further noted that actual results were periodically reviewed in comparison to budget and reported to the school's governing body at least twice during the fiscal year.

2. Inspect the financial sections of all minutes of the meetings of the school's governing body that occurred during the current school year, and those immediately preceding it, and determine adherence with step III(E)(1).

Response: We inspected the financial section of the minutes of the meetings of the school's governing body for the current and preceding years. We noted that the school prepared a budget that was approved by the school's governing body before the start of the school year. We also noted that there were no amendments made during the school year. In addition, the school did periodically review comparison to budget and reported to the school's governing body at least twice annually.

3. Report any exceptions found in steps III(E)(1-2) as Reportable Exceptions.

Response: No Reportable Exceptions noted.

IV. Adequate Process for Deposit and Classification of Scholarship Funds:

A. For Scholarship payments received as checks:

1. Obtain the SFOs' or the Department's Check Cashing Policies (the "Check Cashing Policies") and inquire if the school is following the Check Cashing Policies and complying with section 1002.395 (11)(b) F.S. to include obtaining the guardian's signatures and depositing the check into the school's bank account.

Response: We obtained the school's check cashing policies and noted that they comply with the check cashing policies outlined by the Scholarship Funding Organizations and section 1002.395 (12)(b) F.S.

2. Select a sample of the greater of 10 Scholarship students or 5% of the Scholarship student population. The sample should include at least 2 students (*or one if only one student participating in a given program attends the school*) from each Scholarship program in which the school participates that distributes funds by check. Determine whether the Check Cashing Policies and statute referenced in step IV(A)(1) were followed. Determine whether the parent or guardian's endorsement is reasonably similar to the signature in the student's school file of the named payee or of their power of attorney (granted to a person that is not related to the school).

Response: We selected 10 students from the population of students with scholarship payments received as checks as follows:

Scholarship Sampling Breakout - Checks	
Program	# of Students Sampled
Family Empowerment	4
McKay	6
Total Students Sampled	10

Using the sample above we determined the check endorsements were reasonably similar to the signatures on file.

3. Using the sample selected in section IV(A)(2) above, obtain the sample students' Scholarship checks and determine whether the funds are classified in the general ledger as tuition, books and fees payments and the corresponding general ledger bank account. Also, determine whether the funds are posted to each student's tuition account/statement and whether the funds are deposited into the school's bank account.

Response: Using the sample selected in section IV (A)(2) above, we determined the Scholarship checks tested were properly classified in the general ledger as tuition, books and fees payments and the corresponding general ledger bank account. We also determined the funds were deposited into the school's bank account.

4. Report any exceptions as Material Exceptions.

Response: No Material Exceptions noted.

For Scholarship payments received as electronic funds:

1. Select a sample of the greater of 10 Scholarship students or 5% of the Scholarship student population. The sample should include at least 2 students (*or one if only one student participating in a given program attends the school*) from each Scholarship program in which the school participates that distributes funds by electronic funds.

Response: We selected 10 students from the population of students with scholarship payments received as electronic deposits as follows:

Scholarship Sampling Breakout – Electronic Funds	
Program	# of Students Sampled
Florida Tax Credit	6
Hope	1
Gardiner	3
Total Students Sampled	10

2. Determine whether the sampled students’ scholarship payments were recorded in accordance with the policies or standard practices identified in section III (C)(1)(i) and whether the funds are classified in the general ledger as tuition, books and fees payments and the corresponding general ledger bank account.

Response: Using the sample selected in section IV(B)(1) above, we determined the Scholarship payments tested were properly classified in the general ledger as tuition, books and fees payments and the corresponding general ledger bank account.

3. Determine whether the funds are posted to each student’s tuition account/statement and whether the funds are deposited into the school’s bank account.

Response: Using the sample selected in section IV(B)(1), we determined that the Scholarship funds were posted to each student’s tuition account/statement and the funds are deposited into the school’s bank account.

4. For electronic funds received from AAA, determine whether the parent or guardian endorsement on the Payment Received Form is reasonably similar to the signature of the named payee on file with the school.

Response: The school did not receive any electronic AAA payments.

5. Report any exceptions as Material Exceptions.

Response: No Material Exceptions noted.

V. Properly Expended Scholarship Funds for Education-Related Expenses:

A. Obtain and document the total dollar value of all Scholarship funds received for students attending the school.

Response: The dollar amount of Scholarships received for students attending the school was as follows:

Scholarship Breakdown		
Program	# of Scholarships	Dollar Amount Received
Florida Tax Credit	61	\$ 308,811
Gardiner	9	41,775
Family Empowerment	17	80,820
Hope	1	6,331
McKay	56	317,542
Total Student Scholarships	144	\$ 755,279

B. By scanning the general ledger, identify and prepare a list of the total Fiscal Year (*July 1 – June 30*) Education-Related Expenses by category. Include the list with the report. Include all Education-Related Expense. Education-Related Expense categories include but are not limited to school-related personnel expenses, curriculum, classroom technology, building expenses (rent, mortgage interest, property taxes, insurance and maintenance costs associated with the school facilities) and classroom instructional resources. Do not include extracurricular activity expenses, such as after school athletics programs, events or transportation to and from those events.

Response: We scanned the general ledger and identified salaries and other educational related expenses of \$784,052. The list of Education-Related Expenses is as follows:

<u>Education-Related Expenses</u>	<u>2020-2021</u>
Salaries	\$ 421,769
Administrative	66,557
Program Expenses	174,533
Occupancy	121,193
Total Education Related Expenses	\$ 784,052

Determine if the total of all Education-Related Expenses for the school is equal to or greater than the dollar value of the Scholarship funds received.

Response: The total of all Education Related Expenses for the school is greater than the dollar value of the Scholarship funds received.

- C. Using the list developed in step V(B) above, select a sample of Education-Related Expenditures incurred during the Fiscal Year using the table below. For each item sampled, scan supporting documentation and determine whether the expenditure is Education-Related, was properly authorized in accordance with the policies identified in step III(C) above, is properly classified in the general ledger and was paid timely and accurately from the school’s bank account(s). For this purpose, paid timely means no more than 10% of the sample size is paid greater than 30 days after the due date. For payroll expenditures sampled, re-calculate pay based on corresponding time and attendance, pay rate and deductions records properly authorized in accordance with the policies identified in step III(C) above.

		Value of Total Education-Related Expenditures		Sample	
		From	To	Size	
Each in		\$ 250,000	\$ 500,000	30	of the categories listed section
		\$ 500,000	\$ 750,000	45	
		\$ 750,000	\$750,000+	60	

III(C)(1)(ii-v), if applicable, must be represented in the selected sample by at least 10% of the number of items selected.

Sample size: We selected 60 transactions for testing.

Response: We noted the sampled transactions were education related, classified properly, properly authorized and paid timely.

Combined Expenses: When multiple schools are managed by a single system and cannot be identified separately in the general ledger, a separate sample for each school should be taken based on the total combined education related expenses.

Report any exceptions found as a result of applying procedures in Section V(B-C) as Material Exceptions.

Response: No Material Exceptions noted.

VI. Other Procedures:

- A. Obtain a copy of the tuition & fees schedule for the school year being tested. Using the sample selected for step IV(A or B) depending on the type of payment, determine the tuition and fees charged the sample students is consistent with the tuition and fee policy for all students. Report any exceptions found as Reportable Exceptions.

Response: We obtained the tuition and fee schedule. All 20 student invoices selected for testing agreed with the present fees schedule.

No Reportable Exceptions noted.

- B. Obtain the school’s student attendance policy. Determine if the school’s operating term (school year) is consistent with State Board of Education Rule 6A-1.09512 of at least 170 actual school days and 540 net instructional hours for students in kindergarten, 720 net instructional hours for students in grades 1-3, and 900 net instructional hours for students in grades 4-12.

Response: We obtained the school’s student attendance policy and determined that the school’s attendance policy is consistent with State Board of Education Rule 6A-1.09512.

No Material Exceptions noted.

- C. Determine if the attendance policies for scholarship students are consistent with the policies for all students. Report any exceptions found as Material Exceptions.

Response: We obtained the school's student attendance policy and determined that the school's attendance policy is consistent for all students.

No Material Exceptions noted.

- D. Using the sample selected for step IV(A or B) depending on the type of payment, observe the attendance records for each selected student and determine whether they meet the school's attendance policy. Report any exceptions found as Material Exceptions.

Response: We examined attendance records for the 20 students selected in steps IV (A & B), and observed the attendance record for each student. No student tested was found to be in violation of the stated attendance policy.

No Material Exception noted.

- E. Without advance notice to the school of the sample of students, select 10 students from the Scholarship payment history and observe the student's presence in school that day. The sample should include at least 2 students (or one if only one student participating in a given program attends the school) from each Scholarship program in which the school participates. If the student is not present, determine whether the student is listed as absent on the school's attendance record.

Response: We visited the school and randomly selected 10 students from the Scholarship payment history and presented the names to the front office. We were escorted by staff to each student. Ten students were present that day or properly marked absent. Per our inquiry, all the student's names agreed to the Scholarship payment history report.

- F. Report any exceptions found as Material Exceptions.

Response: No Material Exceptions noted.