

**ACHIEVEMENT ACADEMY  
CHARTER SCHOOL**

**A DIVISION OF  
ACHIEVEMENT ACADEMY,  
INC.**

**Special-Purpose Financial  
Statements with  
Independent Auditors'  
Reports Thereon**

**June 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

### **Partners**

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Cori G. Cameron  
Bob P. Marchewka  
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James R. Dexter  
Thomas F. Regan  
Ernie R. Janvrin  
Paul F. Smyth  
Darby M. Hauck

To the Board of Directors  
Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Lakeland, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Achievement Academy Charter School, which is a division of Achievement Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **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 an opinion 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 auditors' 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Achievement Academy Charter School, which is a division of Achievement Academy, Inc., as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Accountants

Florida Institute of  
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Accountants

**Prior Period Adjustment**

As discussed in Note 18 to the financial statements, the beginning net asset amount has been decreased by \$151,185 as the prior period did not record accrued payroll at year end. Our opinion is not modified with respect to that matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019, on our consideration of Achievement Academy Charter 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Achievement Academy Charter School's 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 Achievement Academy Charter School's internal control over financial reporting and compliance.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
September 19, 2019

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2019**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 104,174
Accounts receivable	23,761
Prepaid expenses and other assets	<u>34,003</u>
Total current assets	<u>161,938</u>
Property and equipment, net	<u>1,145,332</u>
Total assets	<u><u>\$ 1,307,270</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Current liabilities:	
Accounts payable and accrued expenses	\$ 174,289
Current portion of long-term debt	<u>19,102</u>
Total current liabilities	193,391
Long-term debt, less current portion	<u>270,484</u>
Total liabilities	<u>463,875</u>

**NET ASSETS**

Without donor restrictions	
Undesignated	(126,892)
Net investment in property and equipment	<u>851,020</u>
Total net assets without donor restrictions	<u>724,128</u>
With donor restrictions	
Donations	37,609
Unexpended grants	<u>81,658</u>
Total net assets with donor restrictions	<u>119,267</u>
Total net assets	<u>843,395</u>
Total liabilities and net assets	<u><u>\$ 1,307,270</u></u>

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

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Federal grants	\$ -	\$ 49,877	\$ 49,877
State grants	2,170,768	413,833	2,584,601
Medicaid and private insurance	91,471	-	91,471
Other income	-	9,195	9,195
Net assets released from restrictions:			
Satisfaction of program restrictions	425,352	(425,352)	-
Total support, revenue and net assets released from restrictions	2,687,591	47,553	2,735,144
<b>PROGRAM SERVICES</b>			
Charter school	2,208,230	-	2,208,230
<b>SUPPORTING ACTIVITIES</b>			
Management and general	528,252	-	528,252
Total expenses	2,736,482	-	2,736,482
<b>CHANGE IN NET ASSETS</b>	(48,891)	47,553	(1,338)
<b>NET ASSETS, BEGINNING OF PERIOD AS ORIGINALLY REPORTED</b>	924,204	71,714	995,918
<b>PRIOR PERIOD ADJUSTMENT</b>	(151,185)	-	(151,185)
<b>NET ASSETS, BEGINNING OF PERIOD AS RESTATED</b>	773,019	71,714	844,733
<b>NET ASSETS, END OF PERIOD</b>	\$ 724,128	\$ 119,267	\$ 843,395

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

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2019**

**CASH FLOWS FROM OPERATIONS**

Change in net assets	\$ (1,338)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	54,094
Noncash interest expense	835
Net change in assets and liabilities:	
Increase in accounts receivable	(10,623)
Decrease in prepaid expenses	7,624
Increase in accounts payable and accrued expenses	<u>15,880</u>
Net cash provided by operations	<u>66,472</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of property and equipment	<u>(18,917)</u>
-------------------------------------	-----------------

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments on long-term liabilities	<u>(8,594)</u>
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Net increase in cash and cash equivalents	<u>38,961</u>
---	---------------

Cash and cash equivalents, beginning of period	<u>65,213</u>
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Cash and cash equivalents, end of period	<u><u>\$ 104,174</u></u>
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**SUPPLEMENTAL DISCLOSURE**

Cash paid for interest	<u><u>\$ 14,144</u></u>
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The accompanying notes are an integral part of these financial statements.

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2019**

	<u>Program Services</u>	<u>Supporting Activities</u>	
	Charter School	Management and General	Total
Salaries and benefits, contract	\$ 1,789,789	\$ -	\$ 1,789,789
Purchased services	98,201	-	98,201
Materials and supplies	81,235	-	81,235
School transportation	22,936	-	22,936
Instructional staff training	1,443	-	1,443
General administration	-	50,864	50,864
School administration	-	369,657	369,657
Fiscal services	-	57,594	57,594
Administrative fee paid to school board	-	50,137	50,137
Operation of plant	124,824	-	124,824
Maintenance of plant	21,564	-	21,564
Depreciation	54,094	-	54,094
Interest	14,144	-	14,144
	<u>\$ 2,208,230</u>	<u>\$ 528,252</u>	<u>\$ 2,736,482</u>
Total functional expenses	<u>\$ 2,208,230</u>	<u>\$ 528,252</u>	<u>\$ 2,736,482</u>

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



**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 1 – ORGANIZATION, SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

1. Organization

Achievement Academy Charter School (the “School”) is a charter school organized pursuant to Section 1002.33, Florida Statutes. The School is a division of Achievement Academy, Inc. (the “Academy”), a not-for-profit corporation organized under the laws of the State of Florida. The Academy, formerly known as Child Development Center of Polk County, Inc., was organized to maintain and operate programs for the education, evaluation, and social and physical advancement of children (birth through six years of age) with developmental delays/disabilities and to conduct ongoing programs to educate the general public.

The Academy opened the School in 1997. The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter approved by its sponsor, the District School Board of Polk County, Florida (the “School Board”). The current charter is effective until June 30, 2022.

The governing body of the School is the Academy’s Board of Directors which is composed of 15 members. The executive director of the Academy also serves as the executive officer of the School. The School reported on average, an enrollment of 157 unweighted students for the fiscal year ended June 30, 2019.

2. Charter contract

The current charter under audit expires June 30, 2022. At the end of the term of the charter, the School Board may choose 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’s expiration. During the term of the charter, the School Board may also terminate the charter 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, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education.

3. Basis of presentation

The financial statement presentation follows guidance for non-profit organizations set forth by the Financial Accounting Standards Board in its Accounting Standards Codification. The School is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Special-purpose financial statements are prepared in accordance with the special purpose framework opposed to the general-purpose framework.

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 1 – ORGANIZATION, SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

4. Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Support and revenue are recognized when earned or unconditionally received, and expenses are recognized when incurred. Changes in the net assets of the School as a result of support, revenue, expenses, gains and losses are classified based on the existence of any donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

See Note 7 for more information on the composition of net assets without donor restrictions.

*Net Assets With Donor Restrictions* - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions.

The School reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the School to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

See Note 8 for more information on the composition of net assets with donor restrictions.

5. Cash and cash equivalents

During the year ended June 30, 2019, the Academy maintained cash deposits on a pooled basis for both the Academy and the School. The School's cash consists of demand deposits with financial institutions, which are insured through the Federal Depository Insurance Corporation ("FDIC") up to \$250,000. The carrying amount reported in the statement of financial position for cash and cash equivalents approximates its fair value. The School has not historically incurred losses on such accounts, and management believes the School does not have a significant credit risk with respect to these accounts as of June 30, 2019.

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 1 – ORGANIZATION, SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Property and equipment

The School's property and equipment are recorded at cost or their estimated fair value at date of donation. The School capitalizes assets with a cost of \$500 or more. Expenditures of normal maintenance and repair that do not add to the assets value or extend the useful life are not capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

	<u>Years</u>
Buildings and improvements	10 - 40
Furniture, fixtures, and equipment	3 - 10
Playground equipment	5 - 20
Vehicles	5

7. Debt issuance costs

Debt issuance costs relating to the mortgage notes payable are capitalized and being amortized using the straight-line method over a period of 11 years. Amortization expense for the year ended June 30, 2019 was \$835. Estimated annual amortization expense for each of the years through 2029 is \$835.

8. Revenue and expense recognition

Revenue and expenses are recognized on the accrual basis. Revenue consists of a variety of sources, including Florida Department of Education (through the School Board), Medicaid and private insurance, contributions and other income. Expenses consist of the cost of providing the various programs of the School and operating expenses.

9. Revenue sources

Revenues for operations are provided primarily from the District School Board of Polk 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 Florida Education Finance Program (FEFP) payments. The administrative expense is reflected as a general administration expense in the accompanying statement of activities and changes in net assets. The administrative fee is calculated on the base funding and unweighted amount of the number of FTE students up to 250 students.

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 1 – ORGANIZATION, SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. Revenue sources (continued)

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under 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 reduction 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.

The School receives state awards for capital outlay expenditures. The state grant award is based on an application submitted to and approved by the State of Florida. Since a claim to the grant proceeds is based upon incurring eligible expenditures, revenue is temporarily restricted and once eligible expenditures have been made, the revenue is reclassified to unrestricted revenue and is reported in the statement of activities and changes in net assets as "net assets released from restrictions."

The School also receives federal IDEA grant awards for the enhancement of various education programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. Since a claim to the grant proceeds is based upon incurring eligible expenditures, revenue is temporarily restricted and once eligible expenditures have been made, the revenue is reclassified to unrestricted revenue and is reported in the statement of activities and changes in net assets as "net assets released from restrictions."

Under the terms of the grant, any property and equipment purchased with School Board funds must be returned to the School Board if the contract for the charter school is terminated. The current level of the School's operations and program services may be impacted or certain services discontinued if the funding is not renewed.

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 1 – ORGANIZATION, SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

10. Use of estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, 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.

11. Advertising

The School follows the policy of charging advertising costs to expenses as incurred. Total advertising expense was \$363 for the year ended June 30, 2019.

12. Accounting pronouncements adopted

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities” (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The new guidance was effective beginning in 2018 and the School changed its presentation of net assets classes, included a statement of functional expenses, and expanded the footnote disclosures in these financial statements as required by ASU 2016-14.

13. Recent accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when contract performance obligations are met. The standard is effective for fiscal years beginning after December 15, 2018. The School is currently evaluating the impact of adopting the new revenue standard on its financial statements.

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 1 – ORGANIZATION, SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

13. Recent accounting pronouncements (continued)

In February 2016, the FASB issued ASU 2016-02, Leases, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The School is evaluating the potential effects ASU 2016-02 will have on its financial statements.

**NOTE 2 – FAIR VALUE MEASUREMENTS**

Accounting principles generally accepted in the United States of America (GAAP) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

*Level 2:* Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

*Level 3:* Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 2 – FAIR VALUE MEASUREMENTS (continued)**

This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School's significant financial instruments are cash, accounts receivable, accounts payable, short term borrowings, and other short term assets and liabilities. For these financial instruments (Level 1), carrying values approximate fair value because of the short maturity of these instruments.

**NOTE 3 – RECEIVABLES**

Accounts receivable include the following at June 30, 2019:

Capital outlay	\$	15,093
Medicaid		8,668
		<hr/>
Total	\$	<u>23,761</u>

The capital outlay receivables included in the accompanying financial statement is reflected as net assets with donor restrictions since it must be spent for lawful capital outlay expenditures.

Management has determined that the receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary as of June 30, 2019.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2019:

Land	\$	180,620
Building and improvements		1,428,532
Furniture, fixtures and equipment		311,397
Playground equipment		13,727
Vehicles		3,000
		<hr/>
		1,937,276
Accumulated depreciation		<hr/> (791,944)
Property and equipment net of accumulated depreciation	\$	<u>1,145,332</u>

Depreciation expense totaled \$54,094 for the year ended June 30, 2019.

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 5 – CONTRIBUTED MATERIALS, EQUIPMENT, AND SERVICES**

Contributed property, materials and equipment, if any, are recorded in the accompanying financial statements at their fair value at the date of receipt. The School did not receive donated property or equipment for the year ended June 30, 2019.

A number of volunteers have donated significant amounts of their time to the School's administrative services and in its fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services are not professional in nature, and, as such, do not meet the criteria for recognition as contributed services.

**NOTE 6 – LONG-TERM DEBT**

Long-term debt is summarized as follows:

The School had a 4.25% mortgage note payable to a bank for 60 months. The note indicated 59 monthly payments of principal and interest of \$2,268, based on a 15-year amortization and a balloon payment of \$223,063. The note payable is secured by Bartow School real estate. During June 2018, the School refinanced the note payable. Terms of the loan is interest only payments through June 2019 with fixed interest rate of 4.95%. Effective July 2019, principal and interest payments of \$2,253 are due monthly until the note matures in June 2029.

\$ 228,077

The School has a note payable to a bank, with monthly principal and interest payments due of \$475 through January 2020 with 4.25% interest rate per annum. Effective February 2020, monthly principal and interest payments of \$502 are due with interest calculated based on the weekly average yield on United States Treasury securities plus a margin of 3.00%. A balloon payment \$47,954 is due in February 2025. The note is collateralized by Bartow School real estate.

66,235  
294,312

Less current portion

(19,102)

Total long-term liabilities

\$ 275,210



**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 6 – LONG-TERM DEBT (continued)**

Future maturities of notes payable at June 30, 2019 are as follows:

2020		\$	19,102
2021			20,075
2022			21,068
2023			22,109
2024			23,182
Thereafter			<u>188,776</u>
			294,312
Unamortized debt issuance costs (See Note 1-7)			<u>(4,726)</u>
Total			<u>\$ 289,586</u>

Interest expense totaled \$14,144 for the year ended June 30, 2019.

**NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions are comprised of undesignated and net investment in property and equipment amounts for the following purposes or periods as of June 30, 2019:

Undesignated		\$	(126,892)
Net investment in property and equipment			<u>851,020</u>
			<u>\$ 724,128</u>

*Undesignated*

Net assets without donor restrictions are considered as undesignated and used at the discretion of the Board and/or management for general operating purposes. Expenditures from the year ended June 30, 2019 are included in the statement of functional expenses.

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2019:

Unexpended grants:		
Capital outlay funds restricted for specific purpose	\$	81,658
Contributions by donor:		
Contributions restricted by donor for specific purpose		<u>37,609</u>
Total	\$	<u>119,267</u>

**NOTE 9 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The following net assets were released from restrictions as of June 30, 2019:

Purpose restrictions accomplished:		
Capital outlay funds restricted for specific purpose	\$	24,080
Contributions by donor:		
Contributions restricted by donor for specific purpose		<u>401,272</u>
	\$	<u>425,352</u>

**Achievement Academy Charter School  
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Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 10 – SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

District School Board of Polk County, Florida:	
Florida Education Finance Program	\$ 1,108,672
ESE guaranteed allocation	789,119
Class size reduction	348,440
Capital outlay	114,637
Discretionary millage	66,201
Discretionary tax equalization	41,024
Supplemental academic instruction	40,536
NBCT bonus	20,128
Instructional materials	12,323
Total funds compression	11,643
Reading allocation	10,631
Safe school	7,860
Safe allocation	5,438
Teacher lead	4,424
Digital classroom allocation	2,725
Discretionary lottery	840
Prior year adjustments	<u>(40)</u>
 Total state and local revenues	 <u><u>\$ 2,584,601</u></u>

The administrative fee paid to the School Board during the year ended June 30, 2019 totaled \$50,137.

**NOTE 11 – 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, if any, resulting from these risks have not historically exceeded commercial coverage.

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 12 – FUNCTIONAL ALLOCATION OF EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which is allocated on the basis of estimates of time and percentage of assets utilized.

**NOTE 13 – PENSION PLAN AND COMPENSATED ABSENCES**

The Academy adopted a SIMPLE IRA retirement program during 1997. All employees with over six months of service are eligible to participate in the program. Total contributions to the plan by the Academy for the year ended June 30, 2019 was \$33,286. The School has no liability for the administration or payment of benefits of the plan and, accordingly, the present value of the related vested benefits is not reflected in these financial statements.

The School's liability for compensated absences was not significant and has not been recorded in these financial statements since it was not considered material to the financial statements as a whole.

**NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES**

1. Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Cost charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent 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 as year-end may be impaired.

Management of the School believes there are no significant contingent liabilities related 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.

2. Legal matters

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

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 15 – INSURANCE REIMBURSEMENTS**

The School is reimbursed for providing services to Medicaid eligible individuals and individuals with private insurance. Reimbursements earned during the year ended June 30, 2019 were as follows:

Medicaid and private insurance reimbursements	<u>\$ 91,471</u>
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**NOTE 16 – RELATED PARTY TRANSACTIONS**

As previously noted, the Academy maintained cash deposits on a pooled basis for both the Academy and the School during the fiscal year ended June 30, 2019. From time to time, there may be amounts due to the Academy, which would represent amounts advanced by the Academy to the School for operating costs in excess of the School's share of the pooled cash balance. The balance may also include payroll liabilities (taxes, insurance, retirement, etc.) to be paid by the Academy on behalf of the School. As of June 30, 2019, there were no amounts due to nor from the Academy.

During the year ended June 30, 2019, the School made payments to the Academy in the amount of \$46,620 for rental of the facilities.

**NOTE 17 – INCOME TAXES**

The School is a part of the Academy which 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 Academy's income tax returns for 2017, 2016, and 2015 are subject to examination by tax authorities, and may change upon examination.

**NOTE 18 – PRIOR PERIOD ADJUSTMENT**

The beginning amount of net assets has been decreased by \$151,185 as the prior period did not record accrued payroll at year end.

**Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Special-Purpose Financial Statements**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE 19 – SUBSEQUENT EVENTS**

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 19, 2019, which is the date the financial statements were available to be issued.

**NOTE 20 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

The School's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 104,174
Accounts receivable	<u>23,761</u>
Total financial assets available within one year	<u>\$ 127,935</u>

As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Academy has a line of credit of \$200,000, which it could draw upon to support the School's activities.

A portion of cash and cash equivalents and accounts receivable are set aside per donor restrictions. The total amount restricted is in the amount of \$119,267. The remaining accounts receivable not restricted are expected to be received within one year.

Prepaid, property and equipment, land held for sales and other asset amounts are amounts not available for spending amounts.

**SUPPLEMENTAL INFORMATION**



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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 of Directors  
Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Lakeland, 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 Achievement Academy Charter School, which is a division of Achievement Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Achievement Academy Charter 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Achievement Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Achievement Academy Charter 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 Achievement Academy Charter 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 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 Achievement Academy Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Achievement Academy Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
September 19, 2019



**Partners**

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**MANAGEMENT LETTER**

To the Board of Directors  
Achievement Academy Charter School  
A Division of Achievement Academy, Inc.  
Lakeland, Florida

**Report on the Financial Statements**

We have audited the financial statements of Achievement Academy Charter School, which is a division of Achievement Academy, Inc., as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 19, 2019.

**Auditors' 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; and Chapter 10.850, *Rules of the Auditor General*.

**Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on 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 19, 2019, 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 or recommendations made in the preceding annual financial audit report.

**Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are *Achievement Academy Charter School*, which is a component unit of Achievement Academy, Inc. and 538031.

**Financial Condition and Management**

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Achievement Academy Charter School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that Achievement Academy Charter 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 Achievement Academy Charter School. It is management's responsibility to monitor Achievement Academy Charter School's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

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

### **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether Achievement Academy Charter 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 Achievement Academy Charter School maintained on its Web site the information specified in section 1002.33(9)(p), Florida Statutes.

### **Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note 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, Achievement Academy Charter School's management, the Board of Directors, applicable management, Achievement Academy, Inc., and the District School Board of Polk County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
September 19, 2019

## **MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES**

For the year ended June 30, 2019, there are no management recommendations.