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**AVANT GARDE ACADEMY, INC.
D/B/A AVANT GARDE ACADEMY OF OSCEOLA
A CHARTER SCHOOL
AND COMPONENT UNIT
OF THE OSCEOLA COUNTY
SCHOOL BOARD
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

**AVANT GARDE ACADEMY, INC.
 DBA AVANT GARDE ACADEMY OF OSCEOLA
 A CHARTER SCHOOL AND COMPONENT UNIT OF THE
 OSCEOLA COUNTY DISTRICT SCHOOL BOARD
 JUNE 30, 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Avant Garde Academy, Inc.
DBA Avant Garde Academy of Osceola
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Avant Garde Academy, Inc. DBA Avant Garde Academy of Osceola (the "Charter School"), which is a component unit of the Osceola County District School Board, Miami, Florida, as of, and for the year ended June 30, 2019, which collectively comprises the Charter School's basic financial statements as listed in the table of contents 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provision of Chapter 10.850, Charter School's audit, issued by the Auditor General of the State of Florida. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of 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.

INDEPENDENT AUDITORS' REPORT – Continued

Auditors' Responsibility (Continued)

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

Emphasis of Matter

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Avant Garde Academy of Osceola at June 30, 2019, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Avant Garde Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Avant Garde Academy, Inc. as of June 30, 2019 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America

Opinion

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 Charter School, as of June 30, 2019, and the respective changes in financial position for the year then ended in conformity 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 4–8 and 29–30 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 View of Responsible Management and Planned Corrective Actions 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.



INDEPENDENT AUDITORS' REPORT – Continued

Other reporting required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2019, on our consideration of the Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Gardner & Associates, PA
Miami, Florida
September 20, 2019

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

As management of Avant Garde Academy, Inc. DBA Avant Garde Academy of Osceola (the "Charter School"), we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here through page 9 of this report.

Overview of the financial statements

The discussion and analysis are intended to serve as an introduction to the Charter School's basic financial statements. The Charter School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements, which consist of the statement of Net Position and the statement of activities, are designed to provide readers with a broad overview of the Charter School's finances, in a manner similar to a private sector business.

The statement of net position provides information on all the Charter School's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating. However, as a governmental entity, the Charter School's activities are not geared towards generating profit as are the activities of commercial entities. Other factors such as the safety at the Charter School and quality of education, must be considered in order to reasonably assess the Charter School's overall performance.

The statement of activities presents information showing how the Charter School's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10-12 of this report.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School, like other state and local governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Charter School has only one category of funds – governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term, inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Charter School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Charter School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements.

The notes to the financial statements can be found on pages 18-27 of this report.

Supplementary Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Charter School's adopted budget to actual results.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table presents an analysis of the condensed government-wide statements of net position:

CONDENSED STATEMENT OF NET POSITION

	Net Position June 30, 2019	Net Position June 30, 2018	Variance
Current assets	\$ 290,309	\$ 762,406	\$ (472,097)
Noncurrent assets	-	-	-
Capital assets, net of depreciation	<u>241,562</u>	<u>251,528</u>	<u>(9,966)</u>
Total assets	<u>\$ 531,871</u>	<u>\$ 1,013,934</u>	<u>\$ (482,063)</u>
Current liabilities	<u>\$ 272,888</u>	<u>\$ 64,469</u>	<u>\$ 208,419</u>
Net Position			
Invested in capital assets	\$ 241,562	\$ 251,528	\$ (9,966)
Unrestricted	<u>17,421</u>	<u>697,937</u>	<u>(680,516)</u>
Total Net Position	<u>\$ 258,983</u>	<u>\$ 949,465</u>	<u>(690,482)</u>
Total Liabilities and Net Position	<u>\$ 531,871</u>	<u>\$ 1,013,934</u>	<u>\$ (482,063)</u>

At the end of the fiscal year, the Charter School reports a positive balance in net position of \$258,983 for the year. The Charter School's net position reflects its investment in capital assets (e.g. buildings, building improvements, furniture, fixtures and equipment), net of related debt. The Charter School uses its capital assets to provide services to students. Consequently, these assets are not available for future spending.

Resources that are subject to external restrictions on how they may be used are classified as restricted assets. As of June 30, 2019, the Charter school had no restricted assets. The remaining unrestricted balance may be used in any of the Charter School's ongoing operations.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

Government-wide Financial Analysis - Continued

The following table presents information on the condensed government-wide statements of changes in net position:

CONDENSED STATEMENT OF CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Revenues:			
Federal Through State and Local	\$ 358,644	\$ 216,923	\$ 141,721
Program revenues:			
State Sources	3,734,014	3,995,054	(261,040)
Local and Other	<u>933,225</u>	<u>516,809</u>	<u>416,416</u>
Total revenues	<u>5,025,883</u>	<u>4,728,786</u>	<u>297,097</u>
Expenses:			
Instruction	1,990,690	2,240,346	(249,656)
Pupil personnel services	47,959	-	47,959
School Board	98,763	35,795	62,968
General administration	143,782	78,986	64,796
School administration	554,144	677,527	(123,383)
Facilities Acquisition and Construction	-	-	-
Fiscal services	-	246,938	(246,938)
Pupil transportation services	185,680	148,161	37,519
Operation of plant	1,544,820	1,537,113	7,707
Maintenance of plant	28,170	43,928	(15,758)
Unallocated depreciation expense	<u>63,234</u>	<u>34,426</u>	<u>28,808</u>
Total expenses	<u>4,657,242</u>	<u>5,043,220</u>	<u>(385,978)</u>
Change in Net Position	368,641	(314,434)	683,075
Net Position - July 1, 2018	<u>(109,658)</u>	<u>204,776</u>	<u>(314,434)</u>
Net Position - June 30, 2019	<u>\$ 258,983</u>	<u>\$ (109,658)</u>	<u>\$ 368,641</u>

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

Government-wide financial analysis - Continued

- At year-end there were 533 students in grades 6-12th grade. Revenues are based on the amount received per student from the State through the School Board of Osceola County.
- Expenses for instruction are the result of teachers' salaries and related benefits, and materials and supplies that directly impact student learning.
- School administration is due primarily to administrators and other administrative personnel and related benefits as well as administrative costs.
- Plant operations expenses consist of utilities, communications, insurance cost, support personnel and related benefits.

Financial Analysis of the Charter School's Funds

As noted earlier, the Charter School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the Charter School's governmental funds is to provide information on near-term inflows, outflows and spendable resources. Such information is useful in assessing the Charter School's financing requirements. Unreserved fund balance may serve as a useful measure of the Charter School's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2019 the Charter School's governmental fund reported a positive ending fund balance of \$17,421.

Budgetary Highlights

The general fund budget for the fiscal year ended June 30, 2019, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget. Refer to the Budgetary Comparison Schedule for additional information on Page 29.

Capital Assets and Debt Administration

As of June 30, 2019, the Charter School had investment in capital assets of \$241,562. This amount is net of accumulated depreciation of \$231,857. Capital assets additions in the current year include new computer software, computers and furniture.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

Economic Factors

During fiscal year 2019, the Charter School's net position was positive \$258,983.

School Enrollment

During the fiscal year June 30, 2019, the grade levels at the Charter School ranged from sixth-twelfth grade, with a total enrollment of 533 students.

Requests for Information

This financial report is designed to provide a general overview of the Avant Garde Academy of Osceola's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Julie Valent, Avant Garde Academy of Osceola, 2880 N. Orange Blossom Trail, Kissimmee, FL 34741.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA**

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE OSCEOLA COUNTY DISTRICT SCHOOL BOARD**

BASIC FINANCIAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2019

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities
Assets	
Cash	\$ 110,035
Accounts receivable	165,639
Deposits	14,635
	290,309
Furniture, fixtures and equipment	473,419
Less accumulated depreciation	(231,857)
	241,562
Total Assets	\$ 531,871
Liabilities	
Accounts payable	90,667
Salaries and wages payable	182,221
	272,888
Total liabilities	\$ 272,888
Net Position	
Invested in capital assets, Net of Related Debt	\$ 241,562
Unrestricted	17,421
	258,983
Total Net Position	\$ 258,983
Total Liabilities and Net Position	\$ 531,871

The accompanying notes are an integral part of these statements

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
STATEMENT OF ACTIVITIES
JUNE 30, 2019**

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Position
Governmental activities					
Instruction	\$ 1,990,690	\$ -	\$ 154,038	\$ 130,998	\$ (1,705,654)
Pupil personnel services	47,959	-	-	-	(47,959)
School Board	98,763	-	-	-	(98,763)
General administration	143,782	-	-	-	(143,782)
School administration	554,144	-	-	-	(554,144)
Facilities Acquisition and Construction	-	-	-	-	-
Pupil transportation services	185,680	-	-	-	(185,680)
Operation of plant	1,544,820	-	204,606	-	(1,340,214)
Maintenance of plant	28,170	-	-	-	(28,170)
Unallocated depreciation expense	63,234	-	-	-	(63,234)
	<u>\$ 4,657,242</u>	<u>\$ -</u>	<u>\$ 358,644</u>	<u>\$ 130,998</u>	<u>\$ (4,167,600)</u>
General revenues:					
					3,734,014
					802,227
					4,536,241
					368,641
					(109,658)
					\$ 258,983

The accompanying notes are an integral part of these statements

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA**

A CHARTER SCHOOL AND COMPONENT UNIT OF THE OSCEOLA COUNTY

COUNTY DISTRICT SCHOOL BOARD

FUND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash	\$ 110,035	\$ -	\$ 110,035
Accounts Receivable	165,639	-	165,639
Deposits	14,635	-	14,635
Total Assets	\$ 290,309	\$ -	\$ 290,309
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 90,667	\$ -	\$ 90,667
Salaries and wages payable	182,221	-	182,221
Total liabilities	\$ 272,888	\$ -	\$ 272,888
Fund Balances:			
Nonspendable			
Deposits	14,635	-	14,635
Unassigned	2,786	-	2,786
Total fund balances	17,421	-	17,421
Total Liabilities and Fund Balances	\$ 290,309	\$ -	\$ 290,309

The accompanying notes are an integral part of these statements

**AVANT GARDE ACADEMY, INC.
 DBA AVANT GARDE ACADEMY OF OSCEOLA
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 JUNE 30, 2019**

Total fund balances- Governmental funds, page 16	\$	17,421
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Amounts reported for governmental activities in the Statement of Net
 Position are different because:

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds.

Cost of capital assets	\$	473,419	
Accumulated depreciation		(231,857)	241,562
Total Net Position - governmental activities, page 11	\$		258,983

The accompanying notes are an integral part of these statements

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE – GOVERNMENTAL FUND
JUNE 30, 2019**

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Federal Through State and Local	\$ -	358,644	\$ 358,644
State Sources	3,734,014	-	3,734,014
Local and Other	933,225	-	933,225
Total revenues	4,667,239	358,644	5,025,883
Expenditures			
Instruction	1,632,046	358,644	1,990,690
Pupil personnel services	47,959	-	47,959
School Board	98,763	-	98,763
General administration	143,782	-	143,782
School administration	554,144	-	554,144
Facilities Acquisition and Construction	-	-	-
Pupil transportation services	185,680	-	185,680
Operation of plant	1,544,820	-	1,544,820
Maintenance of plant	28,170	-	28,170
Capital outlay:			
Furniture & equipment	243,551	-	243,551
Total current expenditures	4,478,915	358,644	4,837,559
Excess (deficit) of Revenues over expenditures	188,324	-	188,324
Fund balance - July 1, 2018	(170,903)	-	(170,903)
Fund balance - June 30, 2019	\$ 17,421	\$ -	\$ 17,421

The accompanying notes are an integral part of these statements

**AVANT GARDE ACADEMY, INC.
 DBA AVANT GARDE ACADEMY OF OSCEOLA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 JUNE 30, 2019**

Total net changes in fund balance - governmental funds	\$	188,324
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Amounts reported for governmental activities in the statement of Net Position are different because:

Capital outlays are reported in governmental funds as expenditures however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Cost of capital assets purchased	\$	243,551	
Provision for depreciation		(63,234)	180,317
Change in Net Position of governmental activities, Page 12	\$	368,641	

The accompanying notes are an integral part of these statements

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – ORGANIZATION AND OPERATIONS

Nature of Operations

The Avant Garde Academy of Osceola (“School”), a charter school under Avant Garde Academy, Inc., is a component of the District School Board of Osceola County, Florida (“District”). The School’s charter is held by Avant Garde Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The Charter School provides educational services to students in sixth through twelfth. The core philosophy and purpose of the Charter School is to demonstrate that the Charter School’s students can learn at high levels through an academically rigorous and innovative curriculum that incorporates the development of good character.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Avant Garde Academy of Osceola (“School”), a charter school under Avant Garde Academy, Inc., is a component of the District School Board of Osceola County, Florida (“District”). The School’s charter is held by Avant Garde Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of Avant Garde Academy, Inc. as of June 30, 2019, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Osceola County School Board, Florida, (“District”). The current charter is effective until June 30, 2019, and is subject to annual review and may be renewed by mutual agreement between the School and the District. In June 2019, the charter was renewed for one year until June 30, 2020. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Criteria of determining if other entities are potential component units which should be reported within the Charter School's financial statements are identified and described in the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Charter School is financially accountable and other organizations for which the nature and significance of their relationship with the

Charter School's are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Charter School.

Basis of Presentation:

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audit for States and Local Governments and provisions of Florida Statutes, the Charter School is presented as a governmental organization for financial statement reporting purposes.

Government-wide Financial Statement:

The government-wide financial statements (i.e., the statement of Net Position and the statement of changes in Net Position) report information on all activities of the Charter School. The effect of interfund activity, generally, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) operating grants and contributions that are used to meet the operational requirements of a particular function or program, and 2) capital grants and contributions that are restricted to meeting the capital requirements of a particular function or program.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund financial statements:

The Charter School accounts are organized on the basis of funds. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures.

General Fund – is the School’s primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

Special Revenue Fund – accounts for specific revenue, such as federal grants and capital outlay grants that are legally restricted to expenditures for particular purposes.

Agency Fund – accounts for resources of the School’s Internal Fund, which is used to administer monies collected at the schools in connection with school, student athletics, class, and club activities.

Measurement Focus, Basis of Accounting:

The financial statements of the Charter School are prepared in accordance with generally accepted accounting principles (GAAP). The Charter School’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from non-exchange transactions are reported according to GASB Codification Section 1600.111 and Section N50 Accounting and Financial Reporting for Non-Exchange Transactions. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have satisfied.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenues is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
NOTES TO THE FINANCIAL STATEMENTS

Capital assets

Capital assets, which include land, buildings, building improvements, furniture and fixtures, equipment and library books are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the Charter School as assets with an initial, individual cost of more than \$500 and a life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Estimated useful lives, in years, for depreciable assets are as follows:

Furniture, equipment and computers	5 years
Computer equipment	3-5 years
Software	3 years

Donated capital assets, if any, are recorded at estimated fair value at the date of donation.

Within governmental funds, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported within the governmental fund financial statements.

Due from Other Governments or Agencies

Amounts due to the Charter School by other governments or agencies are for grants or programs under which the services have been provided by the Charter School.

Revenue Sources

Revenues for operations will be received primarily from the District pursuant to the funding provisions included in the Charter School's charter. In accordance with the funding provisions of the charter and section 1002.33, Florida Statutes, the Charter School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (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 the FEFP and the actual weighted full-time equivalent students reported by the Charter School during the designated full-time equivalent student survey periods.

The Charter School also receives Federal funding for the school food program. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenues are recognized to the extent that eligible expenditures have been incurred. Also, other revenues may be derived from various fundraising activities and certain other programs.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
NOTES TO THE FINANCIAL STATEMENTS**

Compensated Absences

The Charter School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work.

GASB Codification Section C60, Accounting for Compensated Absences, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place.

Accordingly, these financial statements do not include an accrual for sick days available to be used in future benefit years.

Deferred outflows/Inflows of Resources:

The statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Equity classifications:

Government-wide financial statement

Equity is classified as Net Position and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Position – consists of Net Position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. There are no restricted Net Position.
- c. Unrestricted Net Position – all other Net Position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 properly reported within one of the fund balance categories lists below:

- a. 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 related to not in spendable asset form.
- b. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource provider, or through enabling legislation. Restricted fund balance of the School relates to reserves required by the landlord for property maintenance and repairs.

Fund financial statements-continued

- c. Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Charter School’s Board of Director. There are no committed fund balances at year end.
- d. Assigned – fund balance classification is intended to be used by the Charter School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e. Unassigned – fund balance is the residual classification for the Charter school’s general fund and includes all spendable amounts not contained in the other classification,

Encumbrances

Encumbrances represent commitments relating to unperformed contracts for goods or services. At June 30, 2019, there were no encumbrances outstanding.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition of disclosure through September 30, 2019, which is the date the financial statements were available to be issued.

NOTE 3 - CASH AND CERTIFICATE OF DEPOSIT

As of June 30, 2019, the bank balance was \$110,035. The individual bank balance did not exceed the FDIC limit as of June 30, 2019.

The Charter School is operated under a Charter sponsored by the Osceola County School District as described in Note 1. Accordingly, its bank deposits are governed by Chapter 280 of the Florida Statutes. All time and demand deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes, Chapter 280, “Florida Security for Public Deposits Act”, the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral having a market value equal to an amount from 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held.

The percentage of eligible collateral (generally, U.S. Government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository’s financial history and its financial condition. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Therefore, all cash deposits in an approved Florida banking institution are both collateralized and insured and not subject to a concentration of credit risk or a custodial credit risk as defined in Government Accounting Standards Board (“GASB”) Statement No. 40. The Charter School has no monetary assets other than cash in an approved depository.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable represent reimbursements from the Title One grant of \$16,969, and \$5,809 from the FEFP and Due from Avant Garde K8 of Osceola \$142,861. As of June 30, 2019, the total balance for accounts receivable is \$165,639.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 5 – CAPITAL ASSETS

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Furniture, Fixtures, and Equipment	229,868	\$ 243,551	-	\$ 473,419
Total	229,868	243,551	-	473,419
Less: Accumulated Depreciation	(168,623)	(63,234)	-	(231,857)
Total	61,245	\$ 180,317	-	\$ 241,562

The depreciation expense for the year ended June 30, 2019 amounted to \$63,234.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Management Contract:

The School entered into a management agreement for the period July 1, 2013 to June 30, 2025 with iSchools, LLC (“Company”). The Company will manage and operate the School during the term of the agreement for a fee of \$660 per Full Time Equivalent (FTE) paid in monthly installments. The contract calls for the Company to be responsible for the management, operation, administration, accounting, and Educational Program at the School. In December 2018 a settlement agreement with iSchools was reached. The settlement states that the Charter will pay iSchools \$400,000 based a payment plan. Fees paid under the settlement agreement with the Company during the fiscal year amounted to \$40,000.

Lease Agreement:

Avant Garde Academy, Inc., the School’s charter-holder, entered into a lease agreement with Charter OC Kissimmee Holdings, LLC (LLC) for its educational facility through July 31, 2034. The lease calls for initial base rent of \$40,833 and an additional \$6,250 for the use and upgrade of the football field, paid monthly on the first day of each month. The lease can be renewed for up to five additional five year periods, subject to mutual agreement of both parties. The lease requires the School to pay for taxes, maintenance, and utility costs. Rent expense charged to operations for the year ended June 30, 2019 totaled \$1,128,082.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
NOTES TO THE FINANCIAL STATEMENTS**

The total future minimum payments for the years ended June 30, are as follows:

Year ending June 30,	
2020	\$ 1,475,000
2021	1,475,000
2022	1,475,000
2023	1,475,000
Thereafter	<u>16,347,917</u>
Total	<u>\$ 22,247,917</u>

On June 27, 2019 the lease with Charter OC Kissimmee Holdings, LLC was amended. The amendment is effective July 1, 2019. The base rent for 2019-2020 is \$400,000 per annum, plus \$1,000 for each student enrolled in excess of 400 students. The base rent for the 2020-2021 is \$600,000 per annum, plus \$1,100 for each student enrolled in excess of 600 students.

NOTE 7- SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School's State revenues

Source	Amount
Florida Education Finance Program	\$2,668,813
Class Size Reduction	512,174
School Recognition Funds	60,981
Additional Allocation	17,260
Charter School Capital Outlay	129,148
Compression	40,487
Mental Health	13,126
Supplementary Academic Instruction	121,928
ESE Guaranteed Allocation	126,841
Instructional Materials	45,065
Transportation	56,231
Reading Allocation	23,334
Digital Classroom Allocation	11,091
Safe Schools	27,548
Florida Teachers Classroom Assistance Program	7,315
Discretionary Lottery	1,820
Total State Revenue	\$3,863,160

As provided in the charter school contract, the District has charged to the School an administrative fee totaling \$82,625.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 8 – RELATED PARTY

The School is owed \$142,861 from Avant Garde Academy of Osceola K8 to assist with operating expenses.

NOTE 9 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 10 – LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. The School has no legal actions or pending proceedings in progress.

SUPPLEMENTARY INFORMATION

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019**

GENERAL FUND BUDGET

	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variances Positive (Negative)
Revenues:				
State Sources	4,896,901	\$ 3,486,754	3,734,014	247,260
Local and Other	407,500	\$ 311,829	933,225	621,396
Total revenues	<u>5,304,401</u>	<u>3,798,583</u>	<u>4,667,239</u>	<u>868,656</u>
Instruction	2,098,247	1,238,270	1,632,046	(393,776)
Pupil Personnel services	41,674	44,280	47,959	(3,679)
School Board	52,807	59,229	98,763	(39,534)
General Administration	78,000	129,142	143,782	(14,640)
School Administration	336,015	622,605	554,144	68,461
Facilities Acquisition and Construction	-	-	-	-
Fiscal Services	544,270	202,000	-	202,000
Pupil Transportation Services	148,279	166,379	185,680	(19,301)
Operation of Plant	1,659,515	913,832	1,544,820	(630,988)
Maintenance of Plant	25,000	29,488	28,170	1,318
Total expenditures	<u>4,983,807</u>	<u>3,405,225</u>	<u>4,235,364</u>	<u>(830,139)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 320,594</u>	<u>\$ 393,358</u>	<u>\$ 431,875</u>	<u>\$ 38,517</u>

SPECIAL REVENUE FUND BUDGET

	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variances Positive (Negative)
Revenues:				
Federal Through State and Local	\$ 331,170	\$ 370,606	\$ 358,644	\$ (11,962)
Total revenues	<u>331,170</u>	<u>370,606</u>	<u>358,644</u>	<u>(11,962)</u>
Instruction	370,606	370,606	358,644	11,962
Total expenditure	<u>370,606</u>	<u>370,606</u>	<u>358,644</u>	<u>11,962</u>
Excess (deficit) of revenues over expenditures	<u>\$ (39,436)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA
NOTES TO SUPPLEMENTARY INFORMATION

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

**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
Avant Garde Academy, Inc.
DBA Avant Garde Academy of Osceola
Osceola, Florida

We have audited, in accordance with the 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 Avant Garde Academy, Inc. DBA Avant Garde Academy of Osceola (the "Charter School"), a component unit of the Osceola County District School Board, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Avant Garde Academy, Inc. DBA Avant Garde Academy of Osceola's basic financial statements, and have issued our report thereon dated September 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. We consider Finding No. 2019-01 a material weakness.



Internal Control over Financial Reporting (Continued)

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 Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Gardner & Associates, PA
Miami, Florida
September 20, 2019

**MANAGEMENT LETTER
IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF
THE STATE OF FLORIDA**

To the Board of Directors
Avant Garde Academy, Inc.
DBA Avant Garde Academy of Osceola
Osceola, Florida

Report on the Financial Statements

We have audited the financial statements of Avant Garde Academy, Inc. DBA Avant Garde Academy of Osceola (“the School”), Florida, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 20, 2019.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; 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 those reports which are dated September 20, 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 findings and recommendations made in the preceding annual financial audit report.

Management Letter - Continued

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 of Avant Garde Academy, Inc. DBA Avant Garde Academy of Osceola and 0155.

Financial Condition and Management

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

Pursuant to Section 10.854(1)(e)6. a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Avant Garde Academy, Inc. DBA Avant Garde Academy of Osceola. It is management's responsibility to monitor Avant Garde Academy, Inc. DBA Avant Garde Academy of Osceola'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 us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its website 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.

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.



Management Letter – Continued

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, School Board of Directors, School's management, and the School Board of Osceola County and is not intended to be and should not be used by anyone other than these specified parties.

Gardner & Associates, PA

Miami, Florida
September 20, 2019

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA**

**CURRENT YEAR FINDINGS AND MANAGEMENT’S RESPONSE
JUNE 30, 2018**

2019-01

Financial Reporting - The School is responsible for accurate financial reporting which includes detecting and preventing material misstatements in the financial statements, as well as within the underlying records. Our audit revealed several misstatements related to the following: (1) the recording of revenues which resulted in the necessity of audit adjustments to be recorded in order to present the financial statements in conformity with generally accepted accounting principles. We recommend the School improve their financial accounting process to ensure the fair presentation of reported and recorded financial information.

Management’s Response - The School has already improved its financial accounting process to ensure the fair presentation of reported and recorded financial information in a timely manner. The board will continue to review and approve budgets prepared by the CPA firm and ensure that all financial protocols are being adhered to.

2019-02

Financial Audit – A financial audit report dated February 14, 2019 conducted by RSM US LLP regarding the financial status of the Charter School was performed. The results of this audit report indicated the following conditions;

Observation #1	Late/Incomplete lease payments
Observation #2	Deficit fund balance, Negative net cash position, intercompany accounts, issuance of new debt
Observation #3	Non-compliance with district agreements
Observation #4	Related parties and conflict of interests
Observation #5	Lack of internal controls over check payments

During our audit, we noted that although these conditions were noted at that time, the Charter School’s financial condition changed by year end. Late/Incomplete lease payments continued throughout our audit year. The Charter School has a positive net position, fund balance, and cash position. The status of the non-compliance with district agreements still exist because the intercompany receivable have not been paid off and terms for repayment have not been negotiated. There is possibly a conflict of interest because it appears that LBS operates as management and lends to the school. We found no material weakness in internal controls. We recommend the School continue to improve their financial accounting process to ensure the fair presentation of reported and recorded financial information.

Management’s Response – The school negotiated a new lease amendment with a lower payment amount that is effective July 1, 2019. This will enable the school to make on time payments going forward. In August 2019, the school began receiving payments towards the intercompany receivable. The receivable will be collected in equal installments through June 2020. There is no related parties or conflict of interest between LBS and the school. Observation #4 by RSM should have related exclusively to PH, not OBT. LBS has never had a management contract with OBT or lent monies to it. Effective July 1, 2019, the board hired National Academic Educational Partners, a management company, to manage the school.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA**

**PRIOR YEAR FINDINGS AND MANAGEMENT'S RESPONSE
JUNE 30, 2018**

Findings

2018-01

Financial Reporting - The School is responsible for accurate financial reporting which includes detecting and preventing material misstatements in the financial statements, as well as within the underlying records. Our audit revealed several misstatements related to the following: Our audit revealed several misstatements related to the following: (1) the recording of revenues and (2) the recording of payables which resulted in the necessity of audit adjustments to be recorded in order to present the financial statements in conformity with generally accepted accounting principles. We recommend the School improve their financial accounting process to ensure the fair presentation of reported and recorded financial information.

Management's Response - The School has already improved its financial accounting process to ensure the fair presentation of reported and recorded financial information by consolidating all financial matters under Building Hope, including the timely and proper recording of revenues and payables submission of financial reports to the district, budgeting and financial protocols to provide consistency in all financial matters, as of July 1, 2018. The misstatements reported in the 2017-2018 school year were a direct result of the mismanagement and inaccurate information provided to the School by its manager (iSchools). The School has canceled the iSchools contract for cause.

2018-02

Disbursements – The School made three payments to The School Store, Inc., a related party of the School's management company, totaling \$18,000 for operation and business services during the 2017-18 fiscal year. We were provided invoices for these three transactions, however beyond the terms operation and business services, the invoices did not provide evidence of the specific services provided. These types of services generally call for a contract to set out specific duties and outcomes to be provided. We requested a copy of a contract for these services, however none was provided. Without proper documentation, we were unable to determine the appropriateness of these disbursements. We recommend the School obtain all invoices and contracts to properly document these disbursements.

Management's Response - The School will obtain contracts with a scope of services and accurate invoices to properly document all disbursements. The School will use the Building Hope on-line system which allows for the timely and easy to use uploads of all invoices and related documents as part of the payables approval process prior to the issuance of checks. The payments were processed by iSchools. The School asked iSchools for the backup documentation for these payments but did not receive it. The School is no longer conducting business with either iSchools or The School Store.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA**

**PRIOR YEAR FINDINGS AND MANAGEMENT'S RESPONSE
JUNE 30, 2018**

2018-03

Budget Over expenditures – Florida Statutes Section 1002.33(9)4.(h) requires the School to adopt and maintain an operating budget. The School adopted an annual budget and amended it during the year. However, as shown in the Budgetary Comparison Schedule on page 24, expenditures exceeded final budgeted amounts in 5 functions by \$390,433 in total. We recommend the Board adjust the School's budget in a timely manner in order to prevent expenditures exceeding the final approved budget.

Management's Response - The Board will adjust the budget in a timely manner to prevent expenditures from exceeding the approved budget. Invoices and expenditures will be recorded on a timely basis. The School's budget will be uploaded in the Building Hope accounting system and will flag any line item that exceeds the monthly budget allocation, for ease of tracking. The excess of expenditures over budgeted amount were a direct result of the mismanagement and inaccurate information provided to the Schools by its manager (iSchools) and the manager's failure to follow the School's budget and policies and procedures.

2018-04

Financial Emergency - The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement 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 conditions met. In connection with our audit, we determined that the School met one of the conditions described in Section 218.503(1), Florida Statutes. The School failed to pay uncontested claims from several vendors totaling approximately \$195,000, as recorded in the Schools accounting records, within 90 days as of June 30, 2018. These events resulted from a lack of available funds. We recommend the School make appropriate financial arrangements with the unpaid vendors in order to make good on all past due amounts owed.

Management's Response - The School has already paid many of the vendors from the 2017-2018 school year and is paying the rest of the vendors in accordance with its financial arrangements. The misstatements reported in the 2017-2018 school year were a direct result of the mismanagement and inaccurate information provided to the Schools by (iSchools). The School has canceled the iSchools contract for cause.

**AVANT GARDE ACADEMY, INC.
DBA AVANT GARDE ACADEMY OF OSCEOLA**

**PRIOR YEAR FINDINGS AND MANAGEMENT’S RESPONSE
JUNE 30, 2018**

2018-05

Deteriorating Financial Condition – We applied certain procedures pursuant to Section 10.854(1)(e)6.a. and Section 10.855(12) Rules of the Auditor General. As a result, it appears that the financial emergency as described in Finding No. 2018- 04 on page 30 is a result of a deteriorating financial condition. The financial assessment procedures applied disclosed that over the past 2 fiscal years the School’s total assets, the unrestricted net position balance, and the change in the School’s net position have decreased significantly while the liabilities have significantly increased as shown below: We recommend the School take immediate action to rectify the financial condition of the School.

	as of: 6/30/2017	as of: 6/30/2018	(Decrease)/ Increase from 6/30/17 to 6/30/2018
Assets	\$ 422,616	\$ 349,510	\$ (73,106)
Liabilities	\$ 217,840	\$ 459,168	\$ 241,328
Unrestricted Net Position	\$ 109,105	\$ (170,903)	\$ (280,008)
Change in Net Position	\$ 60,287	\$ (314,434)	\$ (374,721)

This finding is to bring the deteriorating financial condition of the School to the attention of the School’s Board of Directors and the Osceola County District School Board in accordance with Section 218.39(5), Florida Statutes.

Management’s Response - The School has taken action to rectify the financial condition of the School. Expenses are being carefully tracked to conform to the approved budget. A year-round enrollment plan is in place to continue to increase the number of students and revenues in time for the October and February student count. The School’s landlord has offered to assist the school in its financial recovery during this year. The change in the School’s financial condition during the 2017-2018 school year is a direct result of the mismanagement and accurate information provided to the Schools by its manager (iSchools).