

**LANGUAGE & LITERACY  
ACADEMY FOR LEARNING, INC.**

**Basic Financial Statements and  
Supplemental Information**

**June 30, 2019**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Language & Literacy Academy for Learning, Inc.  
Winter Haven, Florida

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Language & Literacy Academy for Learning, Inc. (the "School"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 the *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.

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Certified Public  
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**Florida Institute of  
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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 respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the School as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedules information on pages 3-6 and 21-22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the 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 the School's internal control over financial reporting and compliance.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
September 27, 2019

## Management's Discussion and Analysis

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the School's financial statements, which follow this section.

### Financial Highlights

- The School's overall net position decreased by \$155,532.
- Total ending unrestricted net position was a deficit of \$233,196.
- The School had total expenses for the year of \$3,175,282, compared to revenues of \$3,019,750.
- The year ended June 30, 2019 was the School's first year of instruction during which the School educated 192 students, serving grades K-12.

### Overview of the Basic Financial Statements

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

**Government-wide Financial Statements.** The first financial statement is the Statement of Net Position. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid, net position, the difference between assets and liabilities, can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

**Fund Financial Statements.** Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

The School maintains two individual governmental funds, the General Fund and Debt Service Fund. These funds are considered to be major funds and, accordingly, they are separately displayed.

**Governmental funds.** Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

## Government-Wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of the School's financial position. In the case of the School, liabilities exceeded assets by \$164,015 at June 30, 2019, compared to \$8,483 at June 30, 2018.

Comparison of the condensed statement of net position (deficit) and the statement of activities are provided below:

The School's net position at June 30 was as follows:

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>Assets</b>			
Current assets	\$ 292,498	\$ 972	\$ 291,526
Capital assets, net of accumulated depreciation	69,181	1,000	68,181
<b>Total assets</b>	<u>361,679</u>	<u>1,972</u>	<u>359,707</u>
<b>Liabilities</b>			
Current liabilities	97,494	10,455	87,039
Non-current liabilities	428,200	-	428,200
<b>Total liabilities</b>	<u>525,694</u>	<u>10,455</u>	<u>515,239</u>
<b>Net position (deficit)</b>			
Investment in capital assets	69,181	1,000	68,181
Unrestricted (deficit)	(233,196)	(9,483)	(223,713)
<b>Total net position (deficit)</b>	<u>\$ (164,015)</u>	<u>\$ (8,483)</u>	<u>\$ (155,532)</u>

The School's change in net position (deficit) was as follows:

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Change</b>
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 89,918	\$ -	\$ 89,918
General revenues:			
Florida Education Finance Program	2,793,796	-	2,793,796
Student lunches	3,535	-	3,535
Before and after care	3,690	-	3,690
Donations	11,185	-	11,185
Fundraisers	61,033	-	61,033
Other local revenue	56,593	-	56,593
Total revenue	<u>3,019,750</u>	<u>-</u>	<u>3,019,750</u>
Program expenses:			
Instruction	33,348	559	32,789
Exceptional instruction	2,500,060	-	2,500,060
Instructional support	12,885	-	12,885
Board expenses	2,035	6,029	(3,994)
General administration	60,922	-	60,922
General support	72,155	315	71,840
Facility and acquisition	147,632	-	147,632
Fiscal services	11,121	183	10,938
Food services	92,747	-	92,747
Central services	5,656	985	4,671
Transportation	37,266	-	37,266
Operation of plant	145,080	412	144,668
Maintenance of plant	24,528	-	24,528
Administrative tech	6,103	-	6,103
Interest on long-term debt	23,744	-	23,744
Total expenses	<u>3,175,282</u>	<u>8,483</u>	<u>3,166,799</u>
Change in net position (deficit)	(155,532)	(8,483)	(147,049)
Net position (deficit) - beginning	(8,483)	-	(8,483)
Net position (deficit) - ending	<u>\$ (164,015)</u>	<u>\$ (8,483)</u>	<u>\$ (155,532)</u>

As it was the School's first year of instruction, there was an increase in overall revenues and expenses for the 2018-2019 school year. There were only minor expenses for the prior year for academic and facility planning for the first year of instruction.

**Governmental Activities.** The governmental activities generated \$89,918 in program revenues and \$2,929,832 of general revenues, and incurred \$3,175,282 of program expenses. This resulted in a \$155,532 decrease in net position.

## **The School's Individual Funds**

**General Fund.** The fund balance of the General Fund increased by \$204,487 from a deficit of \$9,483 to \$195,004.

**Debt Service Fund.** The fund balance of the Debt Service Fund remained the same at \$0 after transfers to the General Fund of \$404,456 which means that all debt funds were spent during the year.

## **Budgetary Highlights**

**General Fund.** Actual revenues were less than originally budgeted by \$1,804,981 due to a less than forecasted FTE count during the year. Actual expenditures were less than originally budgeted expenditures by \$1,652,888 due to the School having fewer students than the original budgetary estimate. The Board of Directors amends the School's budget throughout the fiscal year to reflect changes in expected revenue and expenditures and changes in FTE counts. The budgetary information can be found on pages 21 through 22 of this report.

## **Capital Assets and Debt Administration**

**Capital Assets.** The School's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$69,181 (net of accumulated depreciation). This investment in capital assets include furniture, fixtures, and equipment, leasehold improvements, and computer hardware and technology. Please refer to a note to the accompanying financial statements entitled capital assets and depreciation for more detailed information about the School's capital asset activity.

**Debt Administration.** During the first year of instruction, the School incurred start-up loans which were received and paid in full in the same fiscal year. From time to time the School incurs advances on their FEFP funding through a third party loan servicer. Please refer to a note to the accompanying financial statements entitled long term liabilities for more detailed information about the School's long-term debt activity.

## **Economic Factors**

In fiscal year 2019, the State of Florida increased its Florida Education Finance Program funding by approximately 2% and the capital outlay funding pool increased to \$145 million. In addition, an allocation was given to fund safe schools and mental health initiatives. A 2% merit increase was also paid out to eligible staff.

For fiscal year 2020, capital outlay revenue was assumed at an increase of 2% of the current rate per student. The budgets reflect the Florida Education Finance Program funding increase of \$175 per student. A 2% merit increase for all staff was budgeted as well as safety initiatives for security resource officers. All other expenditures are budgeted in alignment with enrollment changes and the School's strategic objectives.

## **Contacting The School's Financial Management**

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dr. Callins, Principal, Language & Literacy Academy for Learning, Inc., 330 Avenue C South East, Winter Haven, FL 33880.



LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2019

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	<u>\$ 292,498</u>
Total current assets	292,498
Capital assets, net	<u>69,181</u>
Total assets	<u>361,679</u>
<b>LIABILITIES AND NET POSITION (DEFICIT)</b>	
<b>CURRENT LIABILITIES</b>	
Accrued payroll	52,512
Accounts payable	<u>44,982</u>
Total current liabilities	97,494
<b>NONCURRENT LIABILITIES</b>	
Long-term debt	
Due within one year	<u>428,200</u>
Total liabilities	<u>525,694</u>
<b>NET POSITION (DEFICIT)</b>	
Investment in capital assets	69,181
Unrestricted	<u>(233,196)</u>
Total net position (deficit)	<u><u>\$ (164,015)</u></u>

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

**LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2019**

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 33,348	\$ -	\$ -	\$ -	\$ (33,348)
Exceptional instruction	2,500,060	-	-	-	(2,500,060)
Instructional support	12,885	-	-	-	(12,885)
Board expenses	2,035	-	-	-	(2,035)
General administration	60,922	-	-	-	(60,922)
General support	72,155	-	-	-	(72,155)
Facility and acquisition	147,632	-	-	-	(147,632)
Fiscal services	11,121	-	-	-	(11,121)
Food services	92,747	-	89,918	-	(2,829)
Central services	5,656	-	-	-	(5,656)
Transportation	37,266	-	-	-	(37,266)
Operation of plant	145,080	-	-	-	(145,080)
Maintenance of plant	24,528	-	-	-	(24,528)
Administrative tech	6,103	-	-	-	(6,103)
Interest on long-term debt	23,744	-	-	-	(23,744)
Total governmental activities	<u>\$ 3,175,282</u>	<u>\$ -</u>	<u>\$ 89,918</u>	<u>\$ -</u>	<u>(3,085,364)</u>
		General revenues:			
					State passed through local school district
					2,793,796
					Local revenue
					136,036
					<u>Total general revenues</u>
					<u>2,929,832</u>
					Change in net position (deficit)
					(155,532)
					Net position (deficit) at July 1, 2018
					(8,483)
					<u>Net position (deficit) at June 30, 2019</u>
					<u>\$ (164,015)</u>

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

**LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 292,498	\$ -	\$ 292,498
Total assets	<u>\$ 292,498</u>	<u>\$ -</u>	<u>\$ 292,498</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accrued payroll	\$ 52,512	\$ -	\$ 52,512
Accounts payable	44,982	-	44,982
Total liabilities	<u>97,494</u>	<u>-</u>	<u>97,494</u>
 <b>FUND BALANCES</b>			
Unassigned	195,004	-	195,004
Total fund balances	<u>195,004</u>	<u>-</u>	<u>195,004</u>
Total liabilities and fund balances	<u>\$ 292,498</u>	<u>\$ -</u>	<u>\$ 292,498</u>

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

**LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION (DEFICIT)**

**June 30, 2019**

Fund balances - total governmental funds		\$ 195,004
The net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Furniture, fixtures, and equipment, net of \$2,269 of accumulated depreciation	\$ 19,679	
Leasehold improvements, net of \$5,264 of accumulated depreciation	42,375	
Computer hardware and technology, net of \$1,501 of accumulated depreciation	<u>7,127</u>	
Total capital assets		69,181
Long-term debt are not due and payable in the current period and, therefore, not reported in the funds		<u>(428,200)</u>
Total net position (deficit) of governmental activities		<u><u>\$ (164,015)</u></u>

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

**LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**Year Ended June 30, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Federal passed through state			
National School Lunch Program	\$ 89,918	\$ -	\$ 89,918
State passed through local school district			
Florida Education Finance Program	2,793,796	-	2,793,796
Local revenue			
Student lunches	3,535	-	3,535
Before and after care	3,690	-	3,690
Donations	11,185	-	11,185
Fundraisers	61,033	-	61,033
Other local revenues	56,593	-	56,593
Total revenues	<u>3,019,750</u>	<u>-</u>	<u>3,019,750</u>
<b>Expenditures</b>			
<b>Current:</b>			
Instruction	33,348	-	33,348
Exceptional instruction	2,507,688	-	2,507,688
Instructional support	12,885	-	12,885
Board expenses	2,035	-	2,035
General administration	60,922	-	60,922
General support	85,069	-	85,069
Facility and acquisition	195,271	-	195,271
Fiscal services	11,121	-	11,121
Food services	92,747	-	92,747
Central services	5,656	-	5,656
Transportation	37,266	-	37,266
Operation of plant	145,080	-	145,080
Maintenance of plant	24,528	-	24,528
Administrative tech	6,103	-	6,103
Debt service:			
Principal	-	471,400	471,400
Interest	-	23,744	23,744
Total expenditures	<u>3,219,719</u>	<u>495,144</u>	<u>3,714,863</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(199,969)</u>	<u>(495,144)</u>	<u>(695,113)</u>
<b>Other financing sources (uses):</b>			
Loan proceeds	-	899,600	899,600
Transfer	404,456	(404,456)	-
Total other financing sources (uses)	<u>404,456</u>	<u>495,144</u>	<u>899,600</u>
Net change in fund balances (deficits)	204,487	-	204,487
Fund balances (deficit) at July 1, 2018	(9,483)	-	(9,483)
Fund balances at June 30, 2019	<u>\$ 195,004</u>	<u>\$ -</u>	<u>\$ 195,004</u>

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

**LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2019**

Net change in fund balances (deficit) - total government funds \$ (695,113)

The change in net position (deficit) reported for governmental activities in the statement of activities is different because:

Governmental funds report fixed capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current year expenditures for capital assets	\$ 77,215	
Current year depreciation expense	<u>(9,034)</u>	
Total capital assets		68,181

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal payment on long-term debt		<u>471,400</u>
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Change in net position (deficit) of governmental activities \$ (155,532)

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

**LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

Language & Literacy Academy for Learning, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The not-for-profit corporation began conducting business as Language & Literacy Academy for Learning, Inc. (the "School") in December 2017. The governing body of the School is the not-for-profit corporation's Board of Directors.

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 Polk County District School Board (the "District"). The current charter is effective until June 30, 2023, and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

2. Government-wide financial statements

The government-wide financial statements (the Statement of Net Position (Deficit) and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities. Any internal activity has been eliminated from the government-wide financial statements.

**LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

2. Government-wide financial statements (continued)

The Statement of Net Position (deficit) reports the School's financial position as of the end of the fiscal year. In this statement, the School's net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, other items not properly included among program revenues are reported instead as general revenues.

3. Fund financial statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following funds are used by the School:

**GOVERNMENTAL FUNDS**

General Fund - The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Debt Service Fund - The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on the debt.

In the accompanying fund financial statements, the General Fund and Debt Service Fund are considered to be major funds and, therefore, are separately displayed.

4. Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the 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.



LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

4. Measurement focus and basis of accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other items are considered to be measurable and available only when cash is received.

5. Cash

Cash consists of deposits in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2019, there were \$42,574 held in excess of FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

6. Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid assets are reported as "non-spendable" in the funds financial statements to indicate that prepaids do not represent available expendable resources.

7. Capital assets and depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$750 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation. Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture, fixtures and equipment	5
Leasehold improvements	5
Computer hardware and technology	5

LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

8. Revenue sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted FTE students reported by the School during the designated full-time equivalent student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

9. Long-term liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

10. Net position

Net position represents the difference between assets and liabilities and is reported in three categories as hereafter described. *Net investment in capital assets*, represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net position is reported as *restricted* when there are legal limitations imposed on its use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net position is net position that does not meet the definition of the classifications previously described. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

11. Fund equity

Governmental funds report separate classifications of fund balance.

Non-Spendable: The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

11. Fund equity (continued)

Restricted: The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors.

Assigned: Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Directors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Principal. Assigned fund balance includes spendable fund balance amounts established by the Principal that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Principal. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned: Unassigned fund balance is the residual classification for the general fund.

It is the policy of the School to use restricted resources to the extent which they are available, then committed resources, followed by assigned resources. Once these are consumed, the School will then use unassigned resources. The School does not have a formal policy requiring a minimum fund balance.

12. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make various estimates. Actual results could differ from those estimates.

**LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

13. Recent accounting pronouncements

In June 2017, the GASB issued Accounting Standards Updated (ASU) No. 87, *Leases*, which will require 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. The new guidance is effective for reporting periods beginning after December 15, 2019. Early adoption is permitted. The School is evaluating the potential effect ASU No. 87 will have on its financial statements.

14. Subsequent events

The School has evaluated subsequent events through September 27, 2019, the date which the financial statements were available to be issued.

**NOTE B - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Capital assets depreciated:				
Furniture, fixtures, & equipment	\$ -	\$ 21,948	\$ -	\$ 21,948
Leasehold improvements	-	47,639	-	47,639
Computer hardware and technology	1,000	7,628	-	8,628
Total assets depreciated	<u>1,000</u>	<u>77,215</u>	<u>-</u>	<u>78,215</u>
Less accumulated depreciation:				
Furniture, fixtures, & equipment	-	2,269	-	2,269
Leasehold improvements	-	5,264	-	5,264
Computer hardware and technology	-	1,501	-	1,501
Total accumulated depreciation	<u>-</u>	<u>\$ 9,034</u>	<u>\$ -</u>	<u>9,034</u>
Total governmental activities capital assets, net	<u>\$ 1,000</u>			<u>\$ 69,181</u>

As of the year ended June 30, 2019, \$9,034 was charged to general support in the accompanying Statement of Activities.

**LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE C - CONCENTRATIONS**

Revenue sources

As stated in Note A-8, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Source	Amount
School Board of Polk County:	
FEFP	\$ 1,196,984
ESE guarantee allocation	878,077
Supplemental academic instruction	49,484
Digital classroom allocation	3,327
Safe schools	9,595
Compression allocation	14,213
Discretionary millage	50,079
Discretionary tax equalization allocation	71,472
Instructional materials allocation	15,044
Student transportation	186,514
Discretionary lottery	907
Prior year adjustments	(44)
Class size reduction	306,667
Reading allocation	11,477
Total passed through the School District of Polk County	2,793,796
Federal passed through state	
National School Lunch Program	89,918
Local revenue	
Student lunches	3,535
Before and after care	3,690
Donations	11,185
Fundraisers	61,033
Other local revenues	56,593
Total general revenues	\$ 3,019,750

The administration fee paid to the District during the year ended June 30, 2019, totaled \$60,922.

**LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE D - LONG-TERM LIABILITIES**

The School entered into various loan agreements during the year ended June 30, 2019. The following is a summary of changes:

	<u>Long-term obligations at July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Long-term obligations at June 30, 2019</u>	<u>Due within one year</u>
Charter School Capital	\$ -	\$ 842,600	\$ (414,400)	\$ 428,200	\$ 428,200
Dodge Chrysler	-	27,000	(27,000)	-	-
Start-up loan	-	30,000	(30,000)	-	-
	<u>\$ -</u>	<u>\$ 899,600</u>	<u>\$ (471,400)</u>	<u>\$ 428,200</u>	<u>\$ 428,200</u>

*Charter School Capital*

The School has a receivable purchase agreement with Charter School Capital, Inc. ("Charter School Capital") for purchasing of receivable balances of District FEFP funds. The School receives advances against the receivables for operational needs. The advances have no fixed payment and are considered to be due within one year, carrying interest rates at the date of advance based upon short-term LIBOR and Prime interest rates. At June 30, 2019, payments for interest totaled \$23,744, with rates between approximately 2.37% to 5.50%.

*Start-up Loans*

The year ended June 30, 2019 was the first year of instruction for the School, as such, the School incurred expenses related to academic and facility planning required under the charter agreement referred to in Note A-1. The Dodge Chrysler and Start-up loans referred to above are current year proceeds and payments on those short-term loan obligations.

**NOTE E - OPERATING LEASE**

Beginning July 2018, the School leases its facilities under an operating lease with an unrelated party that expires in June 2021. Minimum monthly lease payments include \$10,000 plus utilities and applicable sales and use tax, for the life of the agreement. The lease may be renewed for one additional year at the time of expiration. Lease expense for the year ended June 30, 2019 totaled \$120,005 which is included in facility and acquisition of the accompanying financial statements.

Future minimum lease payments include \$120,000 for the years ended June 30, 2020 and June 30, 2021.

**REQUIRED SUPPLEMENTAL INFORMATION**

**LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND**

**Year Ended June 30, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Federal passed through state				
National School Lunch Program	\$ -	\$ -	\$ 89,918	\$ 89,918
State passed through local school district				
Florida Education Finance Program	4,824,731	4,824,731	2,793,796	(2,030,935)
Local revenue				
Student lunches	-	-	3,535	3,535
Before and after care	-	-	3,690	3,690
Donations	-	-	11,185	11,185
Fundraisers	-	-	61,033	61,033
Other local revenues	-	-	56,593	56,593
Total revenues	<u>4,824,731</u>	<u>4,824,731</u>	<u>3,019,750</u>	<u>(1,804,981)</u>
Expenditures				
Current:				
Instruction	3,312,805	3,312,805	33,348	3,279,457
Exceptional instruction	-	-	2,507,688	(2,507,688)
Instructional support	114,210	114,210	12,885	101,325
Board expenses	51,895	51,895	2,035	49,860
General administration	79,181	79,181	60,922	18,259
General support	337,465	337,465	85,069	252,396
Facility and acquisition	90,000	90,000	195,271	(105,271)
Fiscal services	90,101	90,101	11,121	78,980
Food services	161,303	161,303	92,747	68,556
Central services	-	-	5,656	(5,656)
Transportation	213,630	213,630	37,266	176,364
Operation of plant	419,517	419,517	145,080	274,437
Maintenance of plant	2,500	2,500	24,528	(22,028)
Administrative tech	-	-	6,103	(6,103)
Total expenditures	<u>4,872,607</u>	<u>4,872,607</u>	<u>3,219,719</u>	<u>1,652,888</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(47,876)</u>	<u>(47,876)</u>	<u>(199,969)</u>	<u>(152,093)</u>
Other financing sources (uses):				
Transfer	-	-	404,456	(404,456)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>404,456</u>	<u>(404,456)</u>
Net change in fund balance (deficit)	<u>(47,876)</u>	<u>(47,876)</u>	<u>204,487</u>	<u>(252,363)</u>
Fund balance (deficit) at July 1, 2018	<u>(9,483)</u>	<u>(9,483)</u>	<u>(9,483)</u>	<u>-</u>
Fund balance (deficit) at June 30, 2019	<u>\$ (57,359)</u>	<u>\$ (57,359)</u>	<u>\$ 195,004</u>	<u>\$ (252,363)</u>

See note to required supplemental information.



**LANGUAGE & LITERACY ACADEMY FOR LEARNING, INC.**

**NOTE TO REQUIRED SUPPLEMENTAL INFORMATION**

**June 30, 2019**

**NOTE A - BUDGETARY INFORMATION**

Budgetary basis of accounting

Annual budgets are adopted for the entire operations and may be amended by the Board of Directors (the "Board"). Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and the debt service fund for which a legally adopted budget exists.

**SUPPLEMENTAL INFORMATION**



**Partners**

W. Ed Moss, Jr.  
Joe M. Krusick  
Cori G. Cameron  
Bob P. Marchewka  
Ric Perez  
James R. Dexter  
Thomas F. Regan  
Ernie R. Janvrin  
Paul F. Smyth  
Darby M. Hauck

**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 of  
Language & Literacy Academy for Learning, Inc.  
Winter Haven, Florida

We have audited, 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, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Language & Literacy Academy for Learning, Inc. (the "School") as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 27, 2019.

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Phone: 407-644-5811  
Fax: 407-644-6022  
[www.mosskrusick.com](http://www.mosskrusick.com)

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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N. Palm Beach, FL 33408  
Phone: 561-848-9300  
Fax: 561-848-9332

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.

**American Institute of  
Certified Public  
Accountants**

**Florida Institute of  
Certified Public  
Accountants**

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
September 27, 2019



## MANAGEMENT LETTER

### **Partners**

W. Ed Moss, Jr.  
Joe M. Krusick  
Cori G. Cameron  
Bob P. Marchewka  
Ric Perez  
James R. Dexter  
Thomas F. Regan  
Ernie R. Janvrin  
Paul F. Smyth  
Darby M. Hauck

To the Board of Directors of  
Language & Literacy Academy for Learning, Inc.  
Winter Haven, Florida

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

We have audited the financial statements of Language & Literacy Academy for Learning, Inc. (the "School"), as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 27, 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 27, 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. In that regard, there are no uncorrected findings to 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 school code assigned by the Florida Department of Education of the entity are *Language & Literacy Academy for Learning, Inc. and 8008*.

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Accountants

## **Financial Condition and Management**

Sections 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 the 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 the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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 the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

## **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, the Board of Directors, applicable management, and the 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 27, 2019

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

For the year ended June 30, 2019, there were no management finding, recommendations or responses.