

LINCOLN MEMORIAL ACADEMY, INC.
(A CHARTER SCHOOL AND COMPONENT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY)
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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Board of Directors, Superintendent and
Chief Financial Officer
Lincoln Memorial Academy, Inc.
Palmetto, Florida

INDEPENDENT AUDITORS REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Lincoln Memorial Academy, Inc. (the "School") (a Charter School and Component Unit of the School District of Manatee County) 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 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Lincoln Memorial Academy, Inc. as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 7 and budgetary comparison information on pages 24 to 25 be presented to supplement the basic financial statements. Such information is 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 February 14, 2020 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, 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 the effectiveness of the 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.

Southwest CPA, LLC

Bradenton, Florida
February 25, 2020

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of Lincoln Memorial Academy, Inc. (the” School”), which is a component of the School District of Manatee County (the “District”), we offer readers of the School’s financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2019, to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the Basic Financial Statements found starting on page 8.

Financial Highlights

The liabilities of the School exceeded its assets by \$(1,523,038) at June 30, 2019 (net position).

As of the close of the fiscal year ended June 30, 2019, the School reported an ending deficit in fund balance of \$(1,633,907).

Overview of the Financial Statements

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner like to a private-sector business.

The statement of net position presents information on all of the 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 School is improving or deteriorating.

The statement of activities presents information showing how the 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and fiscal services are examples of the School's governmental activities.

**LINCOLN MEMORIAL ACADEMY, INC,
(A Charter School and Component of the School District of Manatee County)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements include all the assets and liabilities of the School. The government-wide financial statements can be found on pages 8 and 9 of this report.

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 School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the operations of the School are presented in governmental funds only.

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 a government'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 School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund which is a major fund.

The School adopts an annual appropriated budget for its operations. Budgetary comparison statements with required notes have been provided to demonstrate compliance with this budget and can be found on pages 24 and 25 of this report.

The basic governmental fund statements can be found on pages 10 to 13 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 of this report.

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 \$1,523,038 at the close of the most recent fiscal year.

**LINCOLN MEMORIAL ACADEMY, INC,
(A Charter School and Component of the School District of Manatee County)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

A portion of the School's net position reflects its investment in capital assets (buildings, furniture and equipment, and computers), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The condensed statement of net position at June 30 and the statement of activities for the fiscal year ended June 30, 2019, are provided below. Since this is the School's initial year of operations there is no comparative data.

The School's net position was as follows:

	<u>Governmental Activities</u>
	<u>2019</u>
ASSETS	
Current Assets	\$ 3,950
Capital Assets, net of accumulated depreciation	<u>377,903</u>
Total Assets	381,853
LIABILITIES	
Current liabilities	1,699,595
Non-current liabilities	<u>205,296</u>
Total Liabilities	1,904,891
NET POSITION	
Investment in Capital Assets, net of related debt	110,869
Unrestricted	<u>(1,633,907)</u>
Net Position	<u>\$ (1,523,038)</u>

**LINCOLN MEMORIAL ACADEMY, INC,
(A Charter School and Component of the School District of Manatee County)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>Governmental Activities</u>
	2019
Revenues	
Program revenues	
Intergovernmental - federal	\$ 621,775
Intergovernmental - state	3,555,888
Other income	199,604
	4,377,267
Total revenue	4,377,267
Expenses	
Instruction	2,547,363
Pupil support and services	158,395
Board	279
Administration	1,461,255
Fiscal service	161,143
Food service	362,469
Transportation service	304,434
Plant operations	625,264
Plant repairs and maintenance	9,968
Community service	3,582
Interest	161,509
	5,795,661
Total expenses	5,795,661
Net change in fund balance	(1,418,394)
Net position at beginning of year	(104,644)
Net position at end of year	\$ (1,523,038)

Governmental activities. Governmental activities decreased the School's net position by \$(1,418,394) for the year ended June 30, 2019.

Financial Analysis of the Government's Funds

As noted previously, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**LINCOLN MEMORIAL ACADEMY, INC,
(A Charter School and Component of the School District of Manatee County)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds. The purpose of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. Unrestricted fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

The General Fund is the primary operating fund of the School. As June 30, 2019 the unassigned fund balance was a deficit in assets of \$(1,633,907).

Capital Asset and Long-Term Debt

Capital assets. The School's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$377,903 (net of accumulated depreciation). This investment in capital assets includes buildings, furniture, equipment, busses and computers. Additional information on the School's capital assets can be found in Note 3.

Long-term debt. During the 2019 fiscal year, Lincoln Memorial Academy, Inc. borrowed \$1,422,205 from outside parties and made a total of \$987,705 in principal and interest payments on this long-term debt. As of June 30, 2019, the amount of long-term debt outstanding including capital leases was \$590,182. In addition, the School borrowed \$291,709 from related parties and repaid \$126,777 of these related party loans. At June 30, 2019, \$164,932 in related party loans were outstanding.

General Fund Budgetary Highlights

During the year the School's budget was not amended even though actual revenues and expenditures were materially different than the original amounts budgeted. Actual revenues were lower than estimated by \$914,345. Expenditures exceeded budgeted amounts by \$851,617 creating a total negative variance in the amount of \$1,765,962. (See page 24.)

Economic Factors and Next Year's Budget

Due to the revocation of the School's charter on July 23, 2019 Lincoln Memorial Academy, Inc. is no longer in operation and economic factors and budgetary issues are not relevant. (See Note 8)

Request for Information

This financial report is designed to provide a general overview of Lincoln Memorial Academy, Inc.'s finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lincoln Memorial Academy, Inc., c/o The School District of Manatee County, P. O. Box 9360, Bradenton, FL 34206

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ --
Due from primary government	3,950
Capital Assets	
Buildings and fixed equipment, net of accumulated depreciation	27,251
Furniture and equipment, net of accumulated depreciation	85,260
Vehicles, net of accumulated depreciation	265,392
Total capital assets	377,903
TOTAL ASSETS	\$ 381,853
LIABILITIES AND NET POSITION	
Deficit in cash	\$ 11,344
Accounts payable	346,833
Accrued salaries	259,713
Payroll taxes payable	373,852
Employee benefits payable	158,036
Long-term liabilities	
Due within one year	
Capital leases payable	61,737
Related party payables	164,932
Notes payable	323,148
Due after one year	
Capital leases payable	205,296
Related party payables	--
Notes payable	--
TOTAL LIABILITIES	1,904,891
NET POSITION	
Invested in capital assets, net of related debt	110,869
Unrestricted	(1,633,907)
TOTAL NET POSITION	\$ (1,523,038)

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

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

		Program Revenues		Net (Expense)
	Expenses	Charges For Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities				
Instruction	\$ 2,547,363	\$	\$ 46,318	\$ 2,501,045
Pupil support and services	158,395	40,801		117,594
Board	279			279
Administration	1,461,255	43,593		1,417,662
Fiscal service	161,143			161,143
Food service	362,469	18,285		344,184
Transportation service	304,434			304,434
Plant operations	625,264			625,264
Plant maintenance	9,968			9,968
Community services	3,582			3,582
Interest on long-term debt	161,509			161,509
Total Governmental Activities	\$ 5,795,661	\$ 102,679	\$ 46,318	5,646,664
				General Revenues
				State sources
				3,830,913
				Local and other
				397,357
				Total General Revenues
				4,228,270
				Change in Net Position
				(1,418,394)
				Net Position July 1, 2018
				(104,644)
				Net Position June 30, 2019
				\$ (1,523,038)

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

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

BALANCE SHEET – GENERAL FUND
June 30, 2019

ASSETS

Cash and cash equivalents	\$	--
Due from primary government		<u>3,950</u>
TOTAL ASSETS	\$	<u>3,950</u>

LIABILITIES

Deficiency in cash and cash equivalents	\$	11,344
Accounts payable		346,833
Salaries payable		259,713
Payroll taxes payable		373,852
Employee benefits payable		158,036
Notes payable		<u>488,079</u>
TOTAL LIABILITIES		1,637,857

FUND BALANCE

Unassigned deficit in fund balance		<u>(1,633,907)</u>
TOTAL FUND BALANCE		<u>(1,633,907)</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u>3,950</u>

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

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

**RECONCILIATION OF THE BALANCE SHEET – GENERAL FUND
TO THE STATEMENT OF NET POSITION
For the Fiscal Year Ended June 30, 2019**

Total fund balance per the Balance Sheet – General Fund \$ (1,633,907)

Amounts reported 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 General Fund. The cost of the capital assets is \$ 455,367 less the accumulated depreciation of \$77,464. 377,903

Long-term capital leases are not payable in the current period and, therefore, are not reported in the General Fund (267,034)

Net position of governmental activities \$ (1,523,038)

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

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**
For the Fiscal Year Ended June 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Federal sources	\$ --	\$ --	\$ 621,775	\$ 621,775
State sources	3,209,138	--	--	3,209,138
Local discretionary funds	346,750	--	--	346,750
Grants, contributions and other	158,397	41,207	--	199,604
	<u>3,714,285</u>	<u>41,207</u>	<u>621,775</u>	<u>4,377,267</u>
Total Revenues				
EXPENDITURES				
Instruction	2,260,977	--	286,386	2,547,363
Student support and services	153,395	--	--	153,395
Administration	1,461,534	--	--	1,461,534
Fiscal services	161,143	--	--	161,143
Food services	--	--	362,469	362,469
Transportation services	243,865	--	--	243,865
Plant operations	623,055	--	--	623,055
Plant maintenancw and repair	9,968	--	--	9,968
Community services	3,582	--	--	3,582
Capital outlay	--	455,366	--	455,366
Debt service - principal	173,647	--	--	173,647
Debt service - interest	161,509	--	--	161,509
	<u>5,257,675</u>	<u>455,366</u>	<u>648,855</u>	<u>6,361,896</u>
Total Expenditures				
(Deficiency) of Revenues Over Expendituers	(1,543,390)	(414,159)	(27,080)	(1,984,629)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	137,975	317,391	--	455,366
Operating transfers in	--	96,768	27,080	123,848
Operating transfers out	(123,848)	--	--	(123,848)
	<u>14,127</u>	<u>414,159</u>	<u>27,080</u>	<u>455,366</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(1,529,263)	--	--	(1,529,263)
Fund Balance (Deficit) at July 1, 2019	(104,644)	--	--	(104,644)
	<u>(1,633,907)</u>	<u>--</u>	<u>--</u>	<u>(1,633,907)</u>
Fund Balance (Deficit) at June 30, 2019				

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

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GENERAL FUND TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019**

Net change in fund balance (actual) per the Statement of Revenues, Expenditures, And Changes in Fund Balance – General Fund to the Statement of Activities	\$ (1,529,263)
Amounts reported in the Statement of Activities 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 useful lives as depreciation expense. This is the amount of capital expenditures (\$455,366) in excess of depreciation expense (\$77,463) in the current period.	377,903
Long-term debt proceeds provide the current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment decreases the long-term liabilities in the Statement of Net Assets. This is the amount of long-term borrowings (\$521,564) in excess of principal repayments (\$258,530) in the current period.	<u>(263,034)</u>
Change in net position of governmental funds	<u>\$ (1,418,394)</u>

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

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Entity

Lincoln Memorial Academy, Inc. (the “School”) is a Florida not-for-profit corporation organized on April 14, 2017 in order to open a charter school in Palmetto, Florida. The School was awarded a charter from the School District of Manatee County in February 2018 and the first school year began July 1, 2018. This is the School’s initial year of operation. The School operates as a component unit of the School District of Manatee County, Florida. (See Note 8)

Basis of Presentation

The School’s financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America in conformity with standards established by The Government Accounting Standards Board (“GASB”). In compliance with these standards the School prepares both government-wide (reporting on the School as a whole) and individual fund statements (reporting on the General Fund).

Government-wide Financial Statements – These include the statement of net position and the statement of activities which present the financial information for the School as a whole. Governmental activities are reported on a full accrual, economic resource basis which recognizes long-term assets and long-term debt and liabilities. The School’s net position includes two categories: (1) invested in capital assets, and (2) unrestricted net position

Individual Fund Financial Statements – The individual fund used by the School is the General Fund. It addresses financial activity and its financial position using sources and uses of funds and the balance of financial resources rather than net income.

Basis of Accounting

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

The government-wide financial statements are prepared on the accrual basis of accounting where revenues are reported when earned and expenses are recognized when incurred.

The General Fund financial statements are prepared using the modified accrual method where revenues are recorded when both measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that principal and interest on general obligation long-term debt, if any, is recognized when due.

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The School's funds are maintained in a qualified public depository. Items that have an original maturity date of 90 days or less are considered cash and cash equivalents. The account balances exceed \$250,000 from time to time as monies are received but the school has not experienced any losses in its accounts and considers the credit risk associated with these accounts to be minimal.

Capital Assets

Capital assets are recorded at cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at fair market value at the date of donation. Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. All capital assets are depreciated using the straight-line method over their estimated useful lives which range from 3 to 10 years.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance - Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting using classifications based primarily on the extent to which the School is restricted to specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable: Fund balances are reported as nonspendable when amounts cannot be spent because they are either not in spendable form (i.e., capital asset inventory) or legally or contractually required to be maintained intact.

Restricted: Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through restrictions placed on those funds by creditors, grantors or laws or regulations of other governmental units. The School did not have any restricted fund balances at June 30, 2019.

Committed: Fund balances are reported as committed pursuant to constraints imposed by formal action of the Board of Directors through the adoption of a resolution. The School did not have any committed funds at June 30, 2019.

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

Assigned: Fund balances are reported as assigned when amounts are constrained by the School's intent to be used for specific purposes but are neither restricted nor committed. Currently there is no one authorized to assign fund balances.

Unassigned: Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The School reports positive unassigned fund balance only in the General Fund.

Flow Assumptions: When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School's policy to use restricted amounts first and then unrestricted amounts as they are needed.

Net Position: Net position represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the School has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

Revenue Sources

Revenues for current operations are received primarily from the School District of Manatee County pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and state requirements, the Charter School reports the number of full-time equivalent (FTE) students and related data to the School District. The School 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 Education Finance Program and the actual weighted FTE students reported by the School during the five designated FTE student survey periods.

The School also receives varies grants and awards for the enhancement of its educational programs. Grant revenue is recognized when grant expenditures have been incurred. The School had complied with its grant requirements at June 30, 2019 , and did not carry any restricted funds over to the next fiscal year.

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recently Issued Accounting Principles

The Government Accounting Standards Board (“GASB”) issued Statement No. 88, Certain Disclosures Related To Debt, including Direct Borrowings and Direct Placement which was effective for the School’s initial fiscal year. All required disclosures are included in the School’s notes to financial statements.

Income Taxes

As a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code the School is not subject to income tax. Accordingly, there is no provision for federal income taxes in the accompanying financial statements. The School has not taken any uncertain tax positions which would require disclosure and the School’s Form 990 for the fiscal years ended June 30, 2017 and June 30, 2018 are still subject to examination by the Internal Revenue Service. The School has not filed its Form 990 for the fiscal year ended June 30, 2019 as of the date of these financial statements.

NOTE 2 – CASH DEPOSITS AND CREDIT RISK

The School maintains its cash deposits in an approved depository. From time to time the balance in the School’s accounts exceed the FDIC insurance limit of \$250,000 and the School could suffer a loss if the bank failed. Lincoln Memorial Academy, Inc. has not experienced any such losses.

The School operates in Southwest Florida and is subject to the economic risks associated with the related Metropolitan Area. With a large part of Florida’s state funding based on sales tax the School could experience significant funding reductions in the case of a building slowdown or a recession.

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 3– CAPITAL ASSETS

Changes in Capital Assets for the fiscal year ended June 30, 2019 consisted of the initial acquisition of furniture, equipment, vehicles and support structures as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated				
None	\$ --	\$ --	\$ --	\$ --
Capital Assets Being Depreciated				
Buildings and Fixed Equipment	--	29,461	--	29,461
Furniture and Equipment	--	99,945	--	99,945
Vehicles	--	325,961	--	325,961
Total Capital Assets Being Depreciated	--	455,367	--	455,367
Less Accumulated Depreciation For:				
Buildings and Fixed Equipment	--	(2,210)	--	(2,210)
Furniture and Equipment	--	(14,685)	--	(14,685)
Vehicles	--	(60,569)	--	(60,569)
Total Accumulated Depreciation	--	(77,464)	--	(77,464)
Total Capital Assets Being Depreciated, Net	--	377,903	--	377,903
Governmental Activities Capital Assets, Net	\$ --	\$ 377,903	\$ --	\$ 377,903

Depreciation expense of \$77,464 for the fiscal year ended June 30, 2019 was allocated as follows:

Instructional	\$ 14,685
Transportation	60,569
Plant	<u>2,210</u>
Total	<u>\$ 77,464</u>

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 4 – CAPITAL LEASE PAYABLE

The School entered into three (3) substantially identical leases during the fiscal year ended June 30, 2019 in order to acquire three (3) school busses which call for 60 monthly payments with interest imputed at 2.00%. The annual requirements to amortize the capital lease obligations at June 30, 2019 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 67,324	\$ 61,737	\$ 5,587
2021	67,324	63,197	4,127
2022	67,324	64,691	2,633
2023	67,324	66,221	1,103
2024	11,221	11,187	34
	<u>\$ 280,517</u>	<u>\$ 267,033</u>	<u>\$ 13,484</u>

NOTE 5 - RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2019 the School borrowed money from members of its Board of Directors and its staff as follows:

<u>Date</u>	<u>Name</u>	<u>Terms</u>	<u>Amount Borrowed</u>	<u>Payments</u>	<u>BalanceAt Year End</u>	<u>Unpaid Interest</u>
Board of Directors						
11/1/18	Gwendolyn McElroy	Borrow \$50,000, interest of \$3,000	\$ 50,000	\$ 50,000	\$ --	\$ --
12/21/18	Gwendolyn McElroy	Borrow \$150,000, interest of \$9,000	150,000	50,000	100,000	3,000
2/22/18	Gwendolyn McElroy	Borrow \$50,000, interest of \$3,000	50,000	--	50,000	3,000
5/31/2019	James Ward	Borrow \$5,000, no stated interest	5,000	--	5,000	--
Employee						
9/28/18	Cornelle Maxfield	On demand, interest at 8.5%	24,000	16,000	8,000	1,500
2/26/2019	Cornelle Maxfield	On demand, interest at 3.0%	1,932	--	1,932	56
5/14/2019	Cornelle Maxfield	On demand, no interest stated	2,000	2,000	--	--
5/30/2019	Cornelle Maxfield	On demand, no interest stated	8,777	8,777	--	--
Total Related Party Transactions			<u>\$ 291,709</u>	<u>\$ 126,777</u>	<u>\$ 164,932</u>	

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 5 – RELATED PARTY LOANS (CONTINUED)

During the year ended June 30, 2019 the School paid \$9,000 in interest on the Related Party Loans and \$7,556 in unpaid interest is due at June 30, 2019. The entire outstanding balance of \$164,932 is payable in the fiscal year ending June 30, 2020.

NOTE 6 – NOTES PAYABLE

Note Date	Description	Balance 7/1/18	Additions	Payments	Balance 6/30/16	Accrued Interest
<u>Unsecured Notes Payable</u>						
01/11/18	Unsecured Note Payable to RM and MJ Partnership. Interest at 6.75%	\$ 130,000	\$ --	\$ 83,377	\$ 46,623	\$ 3,291
<u>Factored Accounts Receivable</u>						
11/16/18	Charter School Capital, Interest at 22.396%, two payments of \$169,200	--	323,092	323,092	--	--
2/5/19	Charter School Capital, Interest at 23.396%, one payment of \$150,000	--	146,380	146,380	--	--
3/19/19	Charter School Capital, Interest at 6.611%, one payments of \$150,200	--	149,469	149,469	--	--
4/19/19	Charter School Capital, Interest at 22.157%, one payment of \$189,600	--	186,654	186,654	--	--
4/24/19	Pearl Capital Funding, Interest at 110.749%, daily payments of \$1,499 including interest	--	171,555	36,825	134,730	--
6/7/19	CFG Merchant Solutions, Interest at 211.180%, daily payments of \$1,479 including interest	--	106,001	10,738	95,263	--
6/26/19	ROC Funding, Interest at 239.2191%, daily payments of \$725 including interest	--	47,345	813	46,532	--
Total Notes Payable		<u>\$ 130,000</u>	<u>\$ 1,130,496</u>	<u>\$ 937,348</u>	<u>\$ 323,148</u>	

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 6 – NOTES PAYABLE (CONTINUED)

During the year ended June 30, 2019 the School paid \$133,797 in interest on these Notes Payable and \$3,291 in interest is payable at June 30, 2020. The entire outstanding balance of \$323,148 is payable in the fiscal year ended June 30, 2020.

NOTE 7 – REVENUE SOURCES

Sources	Amounts
School District of Manatee County	
State Funding	\$ 3,830,913
Local Discretionary Funding	346,750
Total School District of Manatee County	4,177,663
Other Grants and Awards	46,318
Other Income	153,286
Total Revenues	\$ 4,377,267

NOTE 8 SUBSEQUENT EVENTS

During the fiscal year ended June 30, 2019 Lincoln Memorial Academy, Inc. experienced several significant financial issues. As the fiscal year progressed, the School’s financial condition became more and more dire. Teachers, staff and vendors were not being paid. In addition, payroll taxes and retirement contributions withheld from the School’s employees were not being remitted.

On July 23, 2019, in response to the School’s growing financial emergency and to ensure students’ safety, security and welfare, the School District of Manatee County (“District”) revoked the School’s charter and took possession of the School grounds and all records and equipment from Lincoln Memorial Academy, Inc. Effective July 24, 2019 Lincoln Memorial Academy was re-established as a District operated school of choice and is operating as such as of the date of this financial statement.

The Board of Directors of the Lincoln Memorial Academy, Inc. protested the take-over and an administrative hearing was held in August 2019 by the Florida Department of Administrative Hearings. The hearing officer found that the termination of the charter for Lincoln Memorial Academy, Inc. by the District was warranted and that the District was properly authorized to take the actions necessary to protect the students.

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 8 – SUBSEQUENT EVENTS (CONTINUED)

A federal lawsuit claiming that the revocation of the School’s charter in July 2019 was based on racial discrimination was filed in February 2020 by the former Principal on behalf of the Lincoln Memorial Academy, Inc. faculty and staff. The District has not yet been served with the lawsuit and no further information is available as of the date of these financial statements and, accordingly, the potential outcome of such litigation cannot be determined.

As a result of the revocation of Lincoln Memorial Academy, Inc.’s charter many of the School’s outstanding liabilities will not be satisfied. In the face of expected litigation for non-payment. The District does not consider that it is liable for these unpaid obligations based on Florida law.

The financial statements for the fiscal year ended June 30, 2019 have been presented on a going concern basis since the ultimate disposition of the liabilities has not occurred as of the date of this financial statement. Furthermore, additional litigation by vendors and lenders regarding the settlement of the unpaid obligations after revocation of the charter and the District taking back possession of the School facility is anticipated against the Board of Directors, the Principal/CEO and the CFO. In addition, the Principal/CEO and the CFO provided personal guarantees for the factored receivable loans.

Management has reviewed all subsequent events through February 25, 2020 which is when the financial statements were available.

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (UNAUDITED)
For the Fiscal Year Ended June 30, 2019

General Fund			
	Original Budget	Actual Results	Variance With Budget - Positive (Negative)
Revenues			
Intergovernmental – federal sources	\$ 739,155	\$ 621,775	\$ (117,380)
Intergovernmental – state sources	3,994,345	3,555,888	(438,457)
Local and other sources	558,112	199,604	(358,508)
Total Revenues	5,291,612	4,377,267	(914,345)
Expenditures			
Current:			
Instruction	2,173,383	2,547,363	(373,980)
Pupil support and services	133,051	158,395	(25,344)
Board	2,250	279	1,971
Administration	1,512,445	1,461,255	51,190
Fiscal service	200	161,143	(160,943)
Food service	240,886	362,469	(121,583)
Transportation services	264,701	243,865	20,836
Plant operations	589,222	623,055	(33,833)
Plant maintenance	--	9,968	(9,968)
Community service	--	3,582	(3,582)
Debt service			
Principal	130,000	173,647	(43,647)
Interest	8,775	161,509	(152,734)
Total Expenditures	5,054,913	5,906,530	(851,617)
Net change in fund balance	236,699	(1,529,263)	(1,765,962)
Fund balance – July 1, 2018	25,296	(104,644)	--
Fund balance – June 30, 2019	\$ 261,555	\$ (1,633,907)	\$ (1,765,962)

See Independent Auditor's Report

LINCOLN MEMORIAL ACADEMY, INC.
(A Charter School and Component of the School District of Manatee County)

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

BUDGETARY BASIS OF ACCOUNTING

The School's budgets are presented on the modified accrual basis of accounting. During the fiscal year expenditures were controlled at the function and object level (i.e. salaries and benefits, supplies, etc.) within each individual activity. Budgets may be amended by the Board of Directors but was not amended during the fiscal year ended June 30, 2019.

See Independent Auditor's Report

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors, Superintendent and CFO
Lincoln Memorial Academy, Inc.
Palmetto, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Lincoln Memoria Academy, Inc. (the "School") (a Charter School and Component Unit of the School District of Manatee County), 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, and have issued our report thereon dated February 21, 2020.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that that we consider to be material weaknesses contributing to the financial results shown in the related financial statements as follows:

Failure to prepare bank reconciliations – The School failed to prepare bank reconciliations after December 31, 2018. It was necessary to prepare bank reconciliations for the entire year to ensure the accuracy of the School’s general ledger.

Use of a depository not under School control – In association with certain factored receivable loans the School established a depository account that was under the sole control of the HR Consultant. School receivable collections were deposited into this outside bank account. After the factored receivable lenders pulled their amount due from the deposit the remaining funds were transferred by the HR Consultant to the School. While it does not appear there were any funds improperly diverted, all School funds should be maintained in depositories under the total control of the School .

Compliance and Other Matters

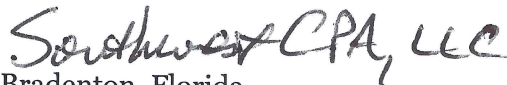
As part of obtaining reasonable assurance about whether the School’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. See Auditor’s Management Letter.

School’s Response to Finding

The District’s response to the internal control deficiencies identified above was the revocation of the School’s charter on July 23, 2019. From July 24, 2019, forward, the School is a District operated school of choice pursuant to Section 1002.33, *Florida Statutes*. and subject to the internal control policies and procedures utilized by the School District of Manatee County.

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.


Bradenton, Florida
February 25, 2020

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board of Directors, Superintendent and CFO
Lincoln Memorial Academy, Inc.
Palmetto, Florida

Report on the Financial Statements

We have audited the financial statements of Lincoln Memorial Academy, Inc. (the "School") (a Charter School and Component Unit of the School District of Manatee County) as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated February 14, 2020.

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 Chapter 10.850, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and the Schedule of Findings and Recommendations. Disclosures in those reports, which are dated February 25, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

There were no prior audit findings.

Official Title

Section 10.854(1)(e)5, *Rules of the Auditor General*, requires 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 Lincoln Memorial Academy, Inc.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), *Rules of the Auditor General*, requires us to apply appropriate procedures and communicate whether or not the Lincoln Memorial Academy, Inc. 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 Lincoln Memorial Academy, Inc. met all four of the conditions described in Section 218.503(1), *Florida Statutes* which are:

- (A) *Failure within the same fiscal year in which due to pay short-term loans or failure to make bond debt service or other long-term debt payments when due, as a result of a lack of funds.*
- (B) *Failure to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of a lack of funds.*
- (C) *Failure to transfer at the appropriate time, due to lack of funds:*
 - (1) *Taxes withheld on the income of employees; or*
 - (2) *Employer and employee contributions for:*
 - (a) *Federal social security; or*
 - (b) *Any pension, retirement, or benefit plan of an employee.*
- *D) *Failure for one pay period to pay, due to lack of funds:*
 - (1) *Wages and salaries owed to employees; or*
 - (2) *Retirement owed to former employees.*

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 Lincoln Memorial Academy, Inc. 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 recognition of the revocation of the School's charter on July 23, 2019 recommendations were not considered necessary,

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 were unable to determine whether 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 District of Manatee County and is not intended to be and should not be used by anyone other than these specified parties.

Southwest CPA, LLC

Bradenton, Florida
February 25, 2020