

THE CHILES ACADEMY, INC.
(A Component Unit of the District School Board of
Volusia County, Florida)

FINANCIAL STATEMENTS
(Audited)

Year Ended June 30, 2019

THE CHILES ACADEMY, INC.
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds and Reconciliation to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation to the Statement of Activities	12
Notes to Financial Statements	13-19
Required Supplementary Information	
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual	
General Fund	20
Early Head Start Grant Fund	21
Title I Grant Fund	22
Child Care Nutrition Fund	23
Notes to Required Supplementary Information	24
Other Reports	
Schedule of Expenditures of Federal Awards	25
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 <i>Government Auditing Standards</i>	26-27
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	28-29
Schedule of Findings and Questioned Costs – Federal Programs	30
Management Letter	31
Auditors' Comments – Current Year	32
Status of Prior Year Comments	33
Management's Response	34

HOLLAND & REILLY

CERTIFIED PUBLIC ACCOUNTANTS
601 NORTH FERN CREEK
SUITE 200
ORLANDO, FLORIDA 32803

(407) 894-6803
(407) 896-3044 FAX

DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ASSOCIATION OF
CERTIFIED FRAUD EXAMINERS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Chiles Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of The Chiles Academy, Inc. (the School), a component unit of the District School Board of Volusia County, Florida, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 each major fund of The Chiles Academy, Inc. 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 on pages 3 to 8 and budgetary comparison information on pages 20 to 23 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 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 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.

Orlando, Florida
September 16, 2019

Holland & Ribby

THE CHILES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2019

Our discussion and analysis of the Chiles Academy Inc.'s (the School) financial performance provides an overview of the School's financial activities. Because the information contained in this 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, which follow this section. The basic financial statements include only operations of the School itself, which is a component unit of the Volusia County District School Board. The Volusia County District School Board includes the operations of the School in their operations.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$295,637 (net position). Of this amount, \$145,473 (unrestricted) may be used to meet the School's ongoing obligations.
- The School's total net position increased by \$104,801 based on current year activities. The School had total expenses for the year of \$1,897,081, compared to revenues of \$2,001,882.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$166,977, an increase of \$94,949 in comparison with the prior year. Approximately 84%, or \$140,462 of the total amount, is unassigned fund balance and is available for spending at the School's discretion.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The basic financial statements include: 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 information about the activities of the School as a whole and a broad overview of the School's finances, in a manner similar 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 fiscal year. The School uses the economic resources measurement focus and the accrual basis of accounting, whereby 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.

The government-wide financial statements distinguish functions of the School that are principally supported by school board and federal funding, both of which are 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. The government-wide financial statements can be found on pages 9 and 10 of this report.

THE CHILES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2019

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 four 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 each of the funds. The General Fund, the Early Head Start Grant, the Title I Grant, and the Child Care Nutrition special revenue funds are considered major funds of the School.

The basic governmental fund financial statements can be found on pages 11 - 12 of this report.

The School adopts an annual budget for all of its funds. Budgetary comparison schedules have been provided for the major funds to demonstrate compliance with these budgets – see pages 20 to 23.

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 13 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. The School's total assets exceeded total liabilities by \$295,637 (total net position) at June 30, 2019, which was an increase of \$104,801 from the previous year.

THE CHILES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2019

The following is a summary of the School's net position as of June 30, 2019, compared to the net position as of June 30, 2018:

Condensed Statement of Net Position

	2019	2018
Assets:		
Non-capital assets	\$ 223,845	\$ 79,808
Capital assets, net	132,546	124,684
Other assets - deposits	16,476	17,063
Total Assets	\$ 372,867	\$ 221,555
 Liabilities:		
Current liabilities	\$ 77,230	\$ 30,720
 Net Position:		
Net investment in capital assets	132,546	124,684
Restricted	17,618	6,491
Unrestricted	145,473	59,660
Total Net Position	\$ 295,637	\$ 190,835

Net position includes investments in capital assets less any related debt used to acquire those assets that are still outstanding. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The School reports \$132,546 in net investment in capital assets at June 30, 2019, an increase of \$7,862 from the prior year.

The remaining net position is divided between restricted and unrestricted. Restricted net position represents those assets net of related liabilities that are restricted to uses specified by third parties, primarily Federal grantor agencies. The restricted net position of the School totaled \$17,618 at June 30, 2019, an increase of \$11,127 from the prior year. Unrestricted net position may be used to meet the School's ongoing obligations. Unrestricted net position totaled \$145,473 at June 30, 2019, an increase of \$85,813 from the prior year.

THE CHILES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2019

Key elements of the changes in the School's net position for the fiscal years ended June 30, 2019 and June 30, 2018 are as follows:

Change in Net Position

	<u>2019</u>	<u>2018</u>
Program revenues:		
Charges for services	\$ 120,986	\$ 134,130
Operating grants and contributions:		
Federal grants	832,081	812,459
Other grants and donations	29,373	16,145
General revenues:		
Volusia County District School Board	1,019,358	977,953
Other revenues	84	66
Total revenues	<u>2,001,882</u>	<u>1,940,753</u>
Program Expenses:		
Instruction-basic	753,299	753,292
Instruction-exceptional	23,741	27,123
Guidance services	86,245	77,927
Health services	50,931	50,653
Curriculum development	9,272	8,930
Staff development	30,510	6,398
General administration	3,940	3,942
School administration	205,809	210,796
Fiscal services	122,221	112,147
Food services	169,057	199,543
Transportation	34,116	38,934
Operation of plant	195,842	182,809
Maintenance of plant	7,336	6,518
Parental involvement	72,676	72,566
Other programs and services	110,291	189,721
Unallocated depreciation	21,795	17,013
Total expenses	<u>1,897,081</u>	<u>1,958,312</u>
Change in net position	104,801	(17,559)
Net position, beginning of year	190,836	208,395
Net position, end of year	<u>\$ 295,637</u>	<u>\$ 190,836</u>

The School experienced increases in the FEFP funding from the Volusia County School Board as well as an increase in the Early Head Start Grant. This resulted in an overall increase in revenue of \$61,129 compared to 2018. In addition, certain expenses, particularly child care and food services expenses, were reduced, resulting in an overall reduction of \$61,231 compared to 2018. These positive changes resulted in an overall \$104,801 increase in net position.

THE CHILES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2019

Governmental Funds

The focus 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. In particular, unassigned fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School's four governmental funds reported combined ending fund balances of \$166,977, an increase of \$94,949 in comparison with the prior year. Approximately 84% of this total, or \$140,462, constitutes unassigned fund balance, which is available for spending at the School's discretion. Of the remainder of fund balance, \$8,897 or 5% is non-spendable relating to inventories and prepaid items and \$17,618 or 11% is restricted for capital outlay or federal grant funding.

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$140,462, which represents 13% of total General Fund expenditures and transfers out for the fiscal year 2019. The total fund balance of the School's General Fund increased by \$79,389, from \$72,028 to \$151,417, during the current fiscal year.

The Early Head Start Grant, Title I Grant, and Child Care Nutrition special revenue funds are the funds used to account for revenues and expenditures of federal grant activities. Due to the excess of expenditures over revenues, The Chiles Academy was required to transfer in money from the General Fund to the Early Head Start Grant and Child Care Nutrition special revenue funds in the amounts of \$32,669 and \$32,191, respectively.

General Fund Budgetary Highlights

The final amended budget reflects a decrease of \$66,319 from the original budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates used to prepare the original budget once exact information is available, 2) amendments made to recognize changes in funding amounts, and 3) changes in appropriations that become necessary to maintain services.

Significant variances between the original budget and the final amended budget are summarized as follows:

Expenditures:

- \$62,139 Basic Instruction – Decrease due to the following:
 - One classroom teacher resigned at the end of the third quarter and was replaced by a substitute
 - Child care teachers resigned and were not replaced
- \$32,890 Other Programs and Services – Decrease due to the following:
 - Two administrators were out for short-term disability
 - Fewer children receiving child care services
 - Reduction in food program transfer due to “piggybacking” on bid prices with another district

With these amendments, there was no significant budget versus actual variances. The actual change in fund balance exceeded the budget by \$16,031.

**THE CHILES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2019**

Capital Asset and Debt Administration

Capital assets - The School's investment in capital assets for its governmental activities as of June 30, 2019 amounted to \$132,546 (net of accumulated depreciation). This investment in capital assets includes buildings, leasehold improvements, furniture, fixtures, and equipment. The increase of \$7,862 from the previous year is the result of asset acquisitions of \$29,658 and depreciation of \$21,796.

The following is a summary of capital assets as of June 30, 2019 and June 30, 2018:

Capital Assets (Net of Depreciation)		
	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 42,419	\$ 35,239
Furniture, fixtures and equipment	28,998	19,732
Computer hardware and software	-	8,424
Buildings	<u>61,129</u>	<u>61,289</u>
Total	<u>\$ 132,546</u>	<u>\$ 124,684</u>

Additional information on the School's capital assets can be found in Note 4 of this report.

Economic Factors

We are currently not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

Requests for Information

This financial report is designed to provide a general overview of the School'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 The Chiles Academy, Inc., 868 George W. Ingram Boulevard, Daytona Beach, Florida 32114.

THE CHILES ACADEMY, INC.
STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 160,267
Accounts receivable	54,681
Inventory	2,952
Prepays	5,945
Capital assets, net of accumulated depreciation	132,546
Deposits	16,476
Total assets	<u>\$ 372,867</u>
Liabilities	
Accounts payable	34,359
Accrued liabilities	42,871
Total liabilities	<u>77,230</u>
Net Position	
Net investment in capital assets	132,546
Restricted for:	
Capital outlay	5,010
Early Head Start	5,000
Child Nutrition	7,608
Unrestricted	145,473
Total net position	<u>295,637</u>
Total liabilities and net position	<u>\$ 372,867</u>

The notes to the financial statements are an integral part of this statement.

THE CHILES ACADEMY, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction - basic	\$ 753,299	\$ -	\$ 372,275	\$ -	\$ (381,024)
Instruction - exceptional	23,741	-	-	-	(23,741)
Guidance services	86,245	-	10,357	-	(75,888)
Health services	50,931	-	35,694	-	(15,237)
Curriculum development	9,272	-	-	-	(9,272)
Staff development	30,510	-	26,987	-	(3,523)
General administration	3,940	-	-	-	(3,940)
School administration	205,809	-	58,765	-	(147,044)
Fiscal services	122,221	-	45,888	-	(76,333)
Food services	169,057	3,259	147,426	-	(18,372)
Transportation	34,116	-	-	-	(34,116)
Operation of plant	195,842	5,700	63,891	-	(126,251)
Maintenance of plant	7,336	-	-	-	(7,336)
Parental involvement	72,676	-	72,676	-	-
Other programs and services	110,291	112,027	27,495	-	29,231
Unallocated depreciation	21,795	-	-	-	(21,795)
Total governmental activities	<u>\$ 1,897,081</u>	<u>\$ 120,986</u>	<u>\$ 861,454</u>	<u>\$ -</u>	<u>(914,641)</u>
General Revenues:					
					1,019,358
					Volusia County School Board
Other revenues					
					84
					Other income
					104,801
					Change in net position
					190,836
					Net Position - Beginning
					<u>\$ 295,637</u>
					Net Position - Ending

The notes to the financial statements are an integral part of this statement.

THE CHILES ACADEMY, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	Special Revenue Funds				
	General Fund	Early Head Start Grant	Title I Grant	Child Care Nutrition	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 160,267	\$ -	\$ -	\$ -	\$ 160,267
Accounts receivable	42,073	5,000	-	7,608	54,681
Inventory	-	-	-	2,952	2,952
Deposits	16,476	-	-	-	16,476
Prepays	5,945	-	-	-	5,945
	<u>5,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,945</u>
Total assets	<u>\$ 224,761</u>	<u>5,000</u>	<u>-</u>	<u>10,560</u>	<u>240,321</u>
Liabilities					
Accounts payable	34,359	-	-	-	34,359
Accrued liabilities	38,985	-	-	-	38,985
	<u>34,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,359</u>
Accrued liabilities	<u>38,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,985</u>
Total liabilities	<u>73,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,344</u>
Fund balances					
Nonspendable:	5,945	-	-	2,952	8,897
Restricted					
Capital outlay	5,010				5,010
Early Head Start		5,000			5,000
Child Nutrition				7,608	7,608
Unassigned	140,462	-	-	-	140,462
	<u>140,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,462</u>
Total fund balances	<u>151,417</u>	<u>5,000</u>	<u>-</u>	<u>10,560</u>	<u>166,977</u>
Total liabilities and fund balances	<u>\$ 224,761</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 10,560</u>	<u>\$ 240,321</u>
Total Fund Balances					166,977

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Governmental capital assets	263,630	
Less: accumulated depreciation	<u>(131,084)</u>	132,546

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds balance sheet.

Compensated absences		<u>(3,886)</u>
Net Position of Governmental Activities		<u>\$ 295,637</u>

The notes to the financial statements are an integral part of this statement.

THE CHILES ACADEMY, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
for the year ended June 30, 2019

	Special Revenue Funds				
	General	Early Head Start Grant	Title I Grant	Child Care Nutrition	Total Governmental Funds
Revenues					
Federal grant	\$ -	\$ 671,454	\$ 11,762	\$ 148,865	\$ 832,081
State grants	-	-	-	1,878	1,878
Volusia County District School Board	1,019,358	-	-	-	1,019,358
Other revenues					
Donations	27,495	-	-	-	27,495
Child care service fees	117,727	-	-	-	117,727
Food service	3,259	-	-	-	3,259
Other income	84	-	-	-	84
Total revenues	<u>1,167,923</u>	<u>671,454</u>	<u>11,762</u>	<u>150,743</u>	<u>2,001,882</u>
Expenditures					
Current:					
Instruction - basic	369,018	388,764	11,180	-	768,962
Instruction - exceptional	25,731	-	-	-	25,731
Guidance services	75,888	10,357	-	-	86,245
Health services	15,237	35,694	-	-	50,931
Curriculum development	9,272	-	-	-	9,272
Staff development	3,523	26,987	-	-	30,510
General administration	3,940	-	-	-	3,940
School administration	149,238	58,183	582	-	208,003
Fiscal services	76,333	44,963	-	925	122,221
Food services	-	18,985	-	150,072	169,057
Transportation	34,116	-	-	-	34,116
Operation of plant	143,751	42,514	-	21,377	207,642
Maintenance of plant	7,336	-	-	-	7,336
Parental involvement	-	72,676	-	-	72,676
Other programs and services	110,291	-	-	-	110,291
Total expenditures	<u>1,023,674</u>	<u>699,123</u>	<u>11,762</u>	<u>172,374</u>	<u>1,906,933</u>
Excess of revenues over (under) expenditures	<u>144,249</u>	<u>(27,669)</u>	<u>-</u>	<u>(21,631)</u>	<u>94,949</u>
Other financing sources (uses):					
Transfers in	-	32,669	-	32,191	64,860
Transfers out	(64,860)	-	-	-	(64,860)
Total other financing sources (uses)	<u>(64,860)</u>	<u>32,669</u>	<u>-</u>	<u>32,191</u>	<u>-</u>
Excess of revenues and other financing sources (uses) over (under) expenditures	79,389	5,000	-	10,560	94,949
Fund balance					
Beginning of year	72,028	-	-	-	72,028
End of year	<u>\$ 151,417</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 10,560</u>	<u>\$ 166,977</u>

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance - total governmental funds	94,949
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives	
Expenditures for capital assets	29,657
Less: current year depreciation	<u>(21,795)</u>
Expenditures in the governmental funds for compensated absences are not recorded as expenses in the statement of activities - net decrease in compensated absences	<u>1,990</u>
Change in Net Position of Governmental Activities	<u>\$ 104,801</u>

The notes to the financial statements are an integral part of this statement.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Reporting Entity - The Chiles Academy, Inc. (a Conversion Charter School), 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 (formerly Section 228, Florida Statutes). The mission of the School is to combine a community of support and guidance for pregnant and parenting students with the goal of attaining a high school diploma, which will empower them to become independent and responsible citizens. The governing body of the School is the Board of Directors, which is composed of eight members.

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, which is the Volusia County District School Board (the District). The current charter is effective until June 30, 2020, and may be renewed in increments of five years by mutual agreement between the School and the District. 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. In the event the School is dissolved or terminated, any unencumbered public 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 Chiles Academy, Inc. is considered a component unit of the Volusia County District School Board.

Criteria for determining if other entities are potential component units which should be reported within 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 provides 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.

Government-Wide and Fund Financial Statements – The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the nonfiduciary activities of the School. All interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business-type activities.

Net position, the difference between assets and liabilities, as presented in the Statement of Net Position, are subdivided into three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The Statement of Activities presents a comparison between the direct expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting operational or capital requirements of a particular function. Revenues not classified as program revenues, such as money received from the District, are reported as general revenues.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued:

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. The School's General Fund and three Special Revenue Funds are considered major funds. At June 30, 2019 the School had no nonmajor funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Expenditures are generally recorded when the related liability is incurred as under accrual accounting. However, expenditures related to compensated absences and long-term debt agreements are recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

The School uses the following major governmental funds:

General Fund – The general operating fund of the School is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Funds

Early Head Start Grant Fund – to account for the proceeds of the Early Head Start program for child care services and track its legally restricted expenditures.

Title I Grant Fund – to account for the proceeds of the Title I Grant and track its legally restricted expenditures.

Child Care Nutrition Fund – to account for the proceeds of the child care food programs and track its legally restricted expenditures.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued:

Budgetary Basis of Accounting – Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors (the Board). For fiscal year ended June 30, 2019, the budget presented has been amended according to Board procedures. Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

Income Taxes - Under section 501(c)(3) of the Internal Revenue Code and Florida Statutes, the School is exempt from taxes on income other than unrelated business income. Since the School had no taxable unrelated business income during the year ended June 30, 2019, no provision for income taxes is provided in the financial statements.

Management of the School considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur, including changes to the School's status as a not-for-profit entity. Management believes the School has no significant uncertain tax positions requiring recognition in the financial statements, met the requirements to maintain its tax-exempt status, and has no income subject to unrelated business income. The School's income tax returns for the past three years are subject to examination by the tax authorities, and may change upon examination.

Cash and Cash Equivalents – Cash and cash equivalents include amounts in demand deposits as well as investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

Receivables – All receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends.

Inventory and Prepays – Inventory is valued at cost based on current purchase prices using the first-in/first-out (FIFO) method. Inventory consists primarily of food and expendable supplies related to the Child Care Nutrition Fund. The cost of governmental fund-type inventory is recorded as an expenditure when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both government-wide and fund financial statements. Reported inventory and prepaids, if any, are equally offset by nonspendable fund balance, which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets.

Capital Assets – Capital assets are defined by the School as assets with an initial individual cost of more than \$750 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	39
Leasehold improvements	15
Furniture, fixtures and equipment	5-10

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued:

Revenue Sources – Revenue from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (FDOE) under the provisions of Section 1011.60, Florida Statutes. In accordance with this law, the School determines and reports the number of full-time equivalent (FTE) students and related data to the District.

The District performs certain edit checks on the reported number of FTEs and related data and calculates the allocation of funds to the School. The School is permitted to amend its original reporting for a period of one year following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The District may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The School also receives substantial federal awards for the operation of additional programs including the Early Head Start and Child Care Nutrition programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until such eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Fund Balances – In the governmental fund financial statements and in accordance with GASB Statement 54, the School is required to report fund balance amounts in a hierarchy of five classifications – nonexpendable and the spendable categories of restricted, committed, assigned, and unassigned, as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements. The School had \$8,897 in nonspendable fund balance amounts at June 30, 2019 for prepaids (\$5,945) and inventory (\$2,952).

Restricted – amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The School had \$17,618 in restricted fund balance amounts at June 30, 2019.

Committed – amounts that can be used only for specific purposes pursuant to constraints imposed by formal action by the School's highest level of decision-making authority. The School's Board of Directors addresses these commitments through formal board action prior to the School's year end. The School had no committed fund balance amounts at June 30, 2019.

Assigned – amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance amounts may be assigned by the School's Board of Directors. The School had no assigned fund balance amounts at June 30, 2019.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balances may also include negative fund balances for any other governmental funds if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued:

In the governmental fund financial statements, the School uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. Additionally, the School would first use committed, then assigned, and lastly unassigned amounts.

The school has established a minimum unassigned fund balance policy of \$80,000.

In the government-wide financial statements, when both restricted and unrestricted resources are available for use it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Estimates – The preparation of financial statements in conformity with US. Generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from those estimates.

2. Reconciliation of Government-Wide and Fund Financial Statements:

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position - Following the governmental fund balance sheet is a reconciliation between *fund balances - total governmental funds and net position - governmental activities* as reported in the government-wide statement of net position. A detailed reconciliation of these differences is provided in this reconciliation.

Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities - Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between *net change in fund balances - total governmental funds and changes in net position of governmental activities*. A detailed reconciliation of these differences is provided in this reconciliation.

3. Cash and Cash Equivalents:

At year-end, the carrying amount of the School's demand deposits were \$160,267. The School maintains cash deposits at a bank in Florida. The School has no deposit policy for custodial risk, which is the risk that in the event of a bank failure, the School's deposit may not be returned. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to FDIC limits (\$250,000). Any balance in excess of FDIC insurance is covered by collateral held by the School's custodial bank, which is pledged to a state trust fund.

As State of Florida Statutes requires, all cash and cash equivalents are held at financial institutions approved by the State Treasurer to hold public deposits in accordance with the "Florida Security for Public Deposits Act", Chapter 280 Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depository to the State Treasurer is defined by the statute. In the event of a failure of any member in the pool, the Public Deposit Security Trust Fund has a procedure whereby the remaining member institutions would be responsible for covering any resulting losses. Since the School's deposits are held in a qualified public depository, they are covered by the collateral pool as the School had identified itself as a public entity at June 30, 2019.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

4. Capital Assets:

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

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Capital assets, being depreciated:					
Buildings	\$ 75,397	11,800	-	(11,100)	76,097
Leasehold improvements	63,365	-	-	17,000	80,365
Furniture, fixtures and equipment	74,474	17,858	(2,682)	17,518	107,168
Computer hardware and software	23,418	-	-	(23,418)	-
Total capital assets, being depreciated	<u>236,654</u>	<u>29,658</u>	<u>(2,682)</u>	<u>-</u>	<u>263,630</u>
Less accumulated depreciation for:					
Buildings	14,108	2,959	-	(2,099)	14,968
Leasehold improvements	28,126	6,367	-	3,453	37,946
Furniture, fixtures and equipment	54,742	12,470	(2,682)	13,640	78,170
Computer hardware and software	14,994	-	-	(14,994)	-
Total accumulated depreciation	<u>111,970</u>	<u>21,796</u>	<u>(2,682)</u>	<u>-</u>	<u>131,084</u>
Capital assets, net	<u>\$ 124,684</u>	<u>7,862</u>	<u>-</u>	<u>-</u>	<u>132,546</u>

Capital assets are used by multiple functions within the School and cannot be easily charged to a specific function. For the year ended June 30, 2019, unallocated depreciation expense was \$21,796.

5. Concentrations:

Revenue Sources – The School receives a substantial amount of its funding from the Volusia County District School Board. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the School's programs and activities.

6. Related Party Information:

The Volusia County District School Board provides the School with various equipment and furniture. The District maintains title to said property and all property is to be returned to the District if the School ceases operations or no longer has use for the assets. These assets are not included in the financial statements of the School. The School also occupies a building owned and previously used by the District for educational purposes. In lieu of rental payments, the School is responsible for all upkeep and maintenance on the District's property. This agreement is in effect until June 30, 2020, and may be renewed contingent upon the extension of the School's charter.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

7. Interfund Transfers:

Transfers occurred to move monies from the General Fund to subsidize operations accounted for in other funds in accordance with budgetary authorizations. During the year ended June 30, 2019, the General Fund transferred \$32,669 and \$32,191 to the Early Head Start Grant Fund and Child Care Nutrition Fund, respectively.

8. Risk Management Programs:

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. General liability and health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. There have been no significant reductions in insurance coverage during the year ended June 30, 2019. Settled claims resulting from these risks have not exceeded commercial coverage in the past three years.

9. Contingent Liabilities:

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

10. Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure through September 16, 2019, the date on which the financial statements were available to be issued.

THE CHILES ACADEMY, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - GENERAL FUND
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance
	Original	Final		
Revenues				
Volusia County District School Board	\$ 1,000,396	\$ 1,013,932	\$ 1,019,358	\$ 5,426
Other revenues				
Donations	27,200	27,200	27,495	295
Child care service fees	126,100	122,100	117,727	(4,373)
Food service	5,000	5,000	3,259	(1,741)
Other income	100	100	84	(16)
Total revenues	<u>1,158,796</u>	<u>1,168,332</u>	<u>1,167,923</u>	<u>(409)</u>
Expenditures				
Instruction - basic	431,317	369,178	369,018	160
Instruction - exceptional	25,301	25,301	25,731	(430)
Guidance services	73,016	75,414	75,888	(474)
Health services	11,858	15,500	15,237	263
Curriculum development	10,032	10,032	9,272	760
Staff development	1,500	3,800	3,523	277
General administration	4,400	4,400	3,940	460
School administration	154,276	152,332	149,238	3,094
Fiscal services	75,750	80,850	76,333	4,517
Transportation	36,200	36,200	34,116	2,084
Operation of plant	134,751	150,965	143,751	7,214
Maintenance of plant	6,500	7,500	7,336	164
Other programs and services	147,240	114,350	110,291	4,059
Total expenditures	<u>1,112,141</u>	<u>1,045,822</u>	<u>1,023,674</u>	<u>22,148</u>
Excess of revenues over expenditures	46,655	122,510	144,249	21,739
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(43,392)	(59,152)	(64,860)	(5,708)
Total other financing sources (uses)	<u>(43,392)</u>	<u>(59,152)</u>	<u>(64,860)</u>	<u>(5,708)</u>
Net change in fund balance	3,263	63,358	79,389	16,031
Fund balance, beginning of year	<u>72,028</u>	<u>72,028</u>	<u>72,028</u>	<u>-</u>
Fund balance, end of year	<u>\$ 75,291</u>	<u>\$ 135,386</u>	<u>\$ 151,417</u>	<u>\$ 16,031</u>

THE CHILES ACADEMY, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - EARLY HEAD START GRANT SPECIAL REVENUE FUND
For the year ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Variance</u>
Revenues				
Federal grant	\$ 654,795	\$ 669,262	\$ 671,454	\$ 2,192
Total revenues	<u>654,795</u>	<u>669,262</u>	<u>671,454</u>	<u>2,192</u>
Expenditures				
Instruction - basic	384,751	390,750	388,764	1,986
Guidance services	10,273	10,273	10,357	(84)
Health services	30,775	36,300	35,694	606
Staff development	16,558	27,400	26,987	413
School administration	102,642	59,410	58,183	1,227
Fiscal services	40,039	45,000	44,963	37
Food services	20,417	20,417	18,985	1,432
Operation of plant	45,649	45,649	42,514	3,135
Parental involvement	27,643	72,900	72,676	224
Total expenditures	<u>678,747</u>	<u>708,099</u>	<u>699,123</u>	<u>8,976</u>
Deficiency of revenues over expenditures	(23,952)	(38,837)	(27,669)	11,168
Other financing sources (uses)				
Transfers in	23,952	38,837	32,669	(6,168)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>23,952</u>	<u>38,837</u>	<u>32,669</u>	<u>(6,168)</u>
Net change in fund balance	-	-	5,000	5,000
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>

THE CHILES ACADEMY, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - TITLE I SPECIAL REVENUE FUND
For the year ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Positive (Negative) <u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal grant	\$ 11,762	\$ 11,762	\$ 11,762	\$ -
Total revenues	<u>11,762</u>	<u>11,762</u>	<u>11,762</u>	<u>-</u>
Expenditures				
Instruction - basic	11,180	11,180	11,180	-
School administration	582	582	582	-
Total expenditures	<u>11,762</u>	<u>11,762</u>	<u>11,762</u>	<u>-</u>
Excess of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

THE CHILES ACADEMY, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - CHILD CARE NUTRITION SPECIAL REVENUE FUND
For the year ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal grant	\$ 165,000	\$ 165,000	\$ 148,865	\$ (16,135)
State grants	-	-	1,878	1,878
Total revenues	<u>165,000</u>	<u>165,000</u>	<u>150,743</u>	<u>(14,257)</u>
Expenditures				
School administration	200	200	-	200
Fiscal services	50	925	925	-
Food services	166,474	166,474	150,072	16,402
Operation of plant	17,716	17,716	21,377	(3,661)
Total expenditures	<u>184,440</u>	<u>185,315</u>	<u>172,374</u>	<u>12,941</u>
Excess of revenues over expenditures	(19,440)	(20,315)	(21,631)	(1,316)
Other financing sources (uses)				
Transfers in	19,440	20,315	32,191	11,876
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>19,440</u>	<u>20,315</u>	<u>32,191</u>	<u>11,876</u>
Net change in fund balance	-	-	10,560	10,560
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,560</u>	<u>\$ 10,560</u>

THE CHILES ACADEMY, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year ended June 30, 2019

1. Summary of Significant Accounting Policies:

The Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual (the Schedules) are presented using the School’s budget format for all governmental funds.

2. Budgetary Basis of Accounting:

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors (the Board). For fiscal year ended June 30, 2019, the budget presented has been amended according to Board procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

THE CHILES ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2019

Federal Grantor, Pass-Through Entity:	Federal CFDA No.	Grant number	Award amount	Federal expenditures
U.S. Department of Health and Human Services				
Head Start	93.600	04CH4794-04-02	\$ 657,085	\$ 398,647
Head Start	93.600	04CH4794-05-01	668,454	272,807
Total Head Start			<u>1,325,539</u>	<u>671,454</u>
U.S. Department of Agriculture				
Passed through State of Florida, Department of Education				
National School Lunch Program, including				
Afterschool Snack Program	10.555	18295	104,081	104,081
School Breakfast Program	10.553	18295	44,784	44,784
Total Child Nutrition Cluster			<u>148,865</u>	<u>148,865</u>
U.S. Department of Education				
Passed through District School Board of Volusia County, Florida				
Title I Grants to Local Educational Agencies				
Total Title I, Part A and U.S. Department of Education	84.010	N/A	<u>11,762</u>	<u>11,762</u>
Total Expenditures of Federal Awards			<u>\$ 1,486,166</u>	<u>\$ 832,081</u>

NOTE 1 - This schedule of expenditures of federal awards includes the federal grant activity of The Chiles Academy, Inc.. under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because this schedule presents only a selected portion of the operations of The Chiles Academy, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of The Chiles Academy, Inc.

NOTE 2 - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - None of the federal awards expended by the School were in the form of noncash assistance, there was no insurance in effect during the year related to federal awards, there are no awards passed through to subrecipients, nor were there any loans or loan guarantees outstanding at year-end.

NOTE 4 - The matching requirement for each applicable contract was met by the School for the period under audit.

NOTE 5 - The Chiles Academy, Inc. elects to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

HOLLAND & REILLY

CERTIFIED PUBLIC ACCOUNTANTS
601 NORTH FERN CREEK
SUITE 200
ORLANDO, FLORIDA 32803

(407) 894-6803
(407) 896-3044 FAX

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ASSOCIATION OF
CERTIFIED FRAUD EXAMINERS

DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

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
The Chiles Academy, Inc.

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 and each major fund of The Chiles Academy, Inc. (the School), a component unit of the District School Board of Volusia County, Florida, 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 September 16, 2019.

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 opinion 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 School's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holland & Rilly

Orlando, Florida
September 16, 2019

HOLLAND & REILLY

CERTIFIED PUBLIC ACCOUNTANTS

601 NORTH FERN CREEK

SUITE 200

ORLANDO, FLORIDA 32803

(407) 894-6803

(407) 896-3044 FAX

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ASSOCIATION OF
CERTIFIED FRAUD EXAMINERS

DAVID S. HOLLAND, CPA

THOMAS F. REILLY, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
The Chiles Academy, Inc.

Report on Compliance for Each Major Federal Program

We have audited The Chiles Academy, Inc.'s (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Holland & Riebel

September 16, 2019
Orlando, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. Summary of Auditors' Findings

Financial Statements

1. We have audited the financial statements of The Chiles Academy, Inc. as of and for the year ended June 30, 2019 and issued an unmodified opinion, dated September 16, 2019.
2. A. Material weaknesses identified? – No
B. Significant deficiencies identified not considered to be material weaknesses? – None reported
3. The results of our audit tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Federal Awards

4. A. Material weaknesses identified? - No
B. Significant deficiencies identified not considered to be material weaknesses? – None reported
5. Our report issued on compliance for major programs was unmodified.
6. Our audit disclosed no audit findings that are required to be reported in accordance with the Uniform Guidance (2 CFR 200.516(a)).
7. Major programs identified on the Schedule of Expenditures of Federal Awards are as follows:

	<u>CFDA Number</u>
U.S. Department of Health and Human Services (Head Start)	93.600
8. The threshold used to distinguish between Type A and Type B programs is \$750,000.
9. The Chiles Academy, Inc. did not qualify as a low-risk auditee under the provisions of the Uniform Guidance.

II. Findings Related To The Financial Statements Required To Be Reported In Accordance With *GOVERNMENT AUDITING STANDARDS*

None

III. Findings And Questioned Costs For Federal Awards

None

HOLLAND & REILLY

CERTIFIED PUBLIC ACCOUNTANTS

601 NORTH FERN CREEK

SUITE 200

ORLANDO, FLORIDA 32803

(407) 894-6803

(407) 896-3044 FAX

DAVID S. HOLLAND, CPA

THOMAS F. REILLY, CPA

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ASSOCIATION OF
CERTIFIED FRAUD EXAMINERS

To the Board of Directors of
The Chiles Academy, Inc.

We have audited the financial statements of The Chiles Academy, Inc. (the School) as of and for the year ended June 30, 2019 and have issued our report thereon dated September 16, 2019.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated September 16, 2019, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General.

The official title and school code of the entity assigned by the Florida Department of Education are The Chiles Academy and 7841.

The Rules of the Auditor General (Section 10.854(1)(e)) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal controls:

- 1) Any recommendations to improve financial management.
- 2) 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 which warrant the attention of those charged with governance.
- 3) For matters that do not warrant the attention of those charged with governance, the following may be reported based on professional judgment:
 - a) Noncompliance with provisions of contracts or grant agreements, fraud or abuse,
 - b) Deficiencies in internal control that are not material weaknesses or significant deficiencies.

There was a matter that came to the auditors' attention, that, in our judgment, is required to be reported. See Comments 2019-1 on page 32. See page 33 for the status of prior year comments. See page 34 for management's response to the current year finding.

Based on our audit procedures performed, the School did not meet any of the conditions described in Florida Statutes Section 218.503(1).

The auditors applied financial condition assessment procedures. 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. See page 33 for the status of the prior year comment regarding the prior year's unfavorable financial condition rating.

We determined the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

This management letter is intended solely for the information of the Board of Directors and management of The Chiles Academy, Inc., the Volusia County School Board, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Orlando, Florida
September 16, 2019



AUDITORS' COMMENTS – CURRENT YEAR

2019-1 Ensure Proper Coding of Activity in the General Ledger Accounts

We noted a number of errors or inconsistencies in the coding of transactions in the general ledger accounts. These errors impact the comparability of accounts from year to year. They also cause extra audit effort to ensure the accounts are properly stated.

We recommend greater effort be made to code the activity into the proper general ledger account, as well as providing adequate descriptions of each entry in the general ledger. In addition, we recommend a monthly review of the general ledger activity to determine if the postings were recorded in the proper accounts.

STATUS OF PRIOR YEAR COMMENTS

2018-001 Year-end Accrual Adjustments

We noted that cut-off was properly performed related to accrued salaries. However, we noted errors and inconsistencies in the coding of transactions in the general ledger accounts. See current year Comment 2019-1.

2018-002 Unfavorable Financial Condition Rating

We noted the School took positive steps to reverse the negative trend in the fund balance in the School's General Fund which increased from \$72,028 to \$151,417.



...a public charter school

868 George W. Engram Boulevard • Daytona Beach, Florida 32114 • 386-322-6102 • Fax 386-258-4681

September 16, 2019

To Whom It May Concern:

Following is the Response to Findings for the audit of The Chiles Academy fiscal year ending June 30, 2019:

2019-1: Management's Response to Findings

These recommendations have been noted by management. Some inconsistencies in coding that were discussed at the time of the audit have already been corrected. Monthly review of the general ledger will be completed by management and any corrections will be made by the outside accounting firm using journal entries.

We will strive for full compliance by June 30, 2020. Please feel free to contact me for any further information or clarification.

Respectfully,

Tammy J. Jones
Chief Financial Officer

www.thechilesacademy.com