



Gardner & Associates, P.A. *Certified Public Accountants*

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**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
A CHARTER SCHOOL
AND COMPONENT UNIT
OF THE OSCEOLA COUNTY
SCHOOL BOARD
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
OSCEOLA COUNTY DISTRICT SCHOOL BOARD
JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Avant Garde Academy, Inc.
D/B/A Victory Charter School K8
Kissimmee, Florida

Report on the Financial Statements

We have audited the charter School financial statements of the governmental activities and each major fund of Avant Garde Academy, Inc. D/B/A Victory Charter School K8 (the "Charter School"), which is a component unit of the Osceola County District School Board, Kissimmee, Florida, as of, and for the year ended June 30, 2020, which collectively comprises the Charter School's basic financial statements as listed in the table of contents for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provision of Chapter 10.850, Charter School's audit, issued by the Auditor General of the State of Florida. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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



INDEPENDENT AUDITORS' REPORT – Continued

Auditors' Responsibility (Continued)

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

Emphasis of Matter

Going Concern

The Charter School financial statements have been prepared assuming that the Charter School will continue as a going concern. As discussed in Note 11 to the financial statements, the Charter School has suffered recurring losses from operations, has a net position deficiency, and substantial doubt exists about the Charter School's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

As of June 30, 2020, the Charter School voluntarily surrendered its charter to the Osceola School Board, thus closing the Charter School.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter School, as of June 30, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters- Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 and 28–29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with View of Responsible Management and Planned Corrective Actions to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



INDEPENDENT AUDITORS' REPORT – Continued

Other reporting required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2020, on our consideration of the Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Gardner & Associates, PA
Miami, Florida
September 17, 2020

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2020**

As management of Avant Garde Academy, Inc. D/B/A Victory Charter School K8 (the "Charter School"), we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here through page 9 of this report.

Overview of the financial statements

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

Government-wide financial statements

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

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

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

The government-wide financial statements can be found on pages 11-12 of this report.

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2020**

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

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

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

Supplementary Information

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

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2020**

Government-wide Financial Analysis

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

CONDENSED STATEMENT OF NET POSITION

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Variance</u>
<u>Assets</u>			
Current assets	\$ 34,040	\$ 98,573	\$ (64,533)
Capital Assets, net	68,104	70,848	(2,744)
	<u>\$ 102,144</u>	<u>\$ 169,421</u>	<u>\$ (67,277)</u>
<u>Liabilities</u>			
Current liabilities	\$ 604,415	\$ 907,854	\$ (303,439)
Total liabilities	604,415	907,854	(303,439)
<u>Net Position</u>			
Net Investment in Capital Assets	\$ 68,104	\$ 70,848	\$ (2,744)
Unrestricted	(570,375)	(809,281)	238,906
Total Net Position	<u>\$ (502,271)</u>	<u>\$ (738,433)</u>	<u>236,162</u>
Total Liabilities and Net Position	<u>\$ 102,144</u>	<u>\$ 169,421</u>	<u>\$ (67,277)</u>

At the end of the fiscal year, the Charter School reports a negative balance in net position of \$502,271 with a positive increase of \$236,162 from the prior year. The Charter School's net position reflects its investment in capital assets (e.g. buildings, building improvements, furniture, fixtures and equipment), net of related debt. The Charter School uses its capital assets to provide services to students. Consequently, these assets are not available for future spending.

Resources that are subject to external restrictions on how they may be used are classified as restricted assets. As of June 30, 2020, the Charter school had no restricted assets. The remaining unrestricted balance may be used in any of the Charter School's ongoing operations.

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2020**

Government-wide Financial Analysis - Continued

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

CONDENSED STATEMENT OF CHANGES IN NET POSITION

	2020	2019	Variance
<u>Revenues:</u>			
General revenues	\$ 2,089,542	\$ 1,858,788	\$ 230,754
Program revenues:			
Operating grants and contributions	166,430	122,484	43,946
Capital grants and contributions	-	61,057	(61,057)
Miscellaneous revenue	9,531	14,155	(4,624)
Total revenues	<u>2,265,503</u>	<u>2,056,484</u>	<u>209,019</u>
<u>Expenses:</u>			
Instruction	1,187,194	1,035,308	151,886
Student support services	14,670	-	14,670
Board	24,816	12,613	12,203
General administration	97,800	87,154	10,646
School administration	172,626	211,836	(39,210)
Fiscal services	159,036	25,657	133,379
Central services	42,000	-	42,000
Student transportation services	32,552	206,212	(173,660)
Operation of plant	262,158	955,247	(693,089)
Maintenance of plant	4,534	8,405	(3,871)
Unallocated depreciation expense	31,955	43,041	(11,086)
Total expenses	<u>2,029,341</u>	<u>2,585,473</u>	<u>(556,132)</u>
Change in net position	236,162	(528,989)	765,151
Net Position - Beginning	<u>(738,433)</u>	<u>(209,444)</u>	<u>(528,989)</u>
Net Position - End	<u>\$ (502,271)</u>	<u>\$ (738,433)</u>	<u>\$ 236,162</u>

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2020**

Government-wide financial analysis - Continued

- At year-end there were 286 students in grades K-8th grade. Revenues are based on the amount received per student from the State through the School Board of Osceola County.
- Expenses for instruction are the result of teachers' salaries and related benefits, and materials and supplies that directly impact student learning.
- School administration is due primarily to administrators and other administrative personnel and related benefits as well as administrative costs.
- Plant operations expenses consist of utilities, communications, insurance cost, support personnel and related benefits.

Financial Analysis of the Charter School's Funds

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

At the end of fiscal year 2020 the Charter School's governmental fund reported a negative ending fund balance of \$500,375.

Budgetary Highlights

The general fund budget for the fiscal year ended June 30, 2020, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget. Refer to the Budgetary Comparison Schedule for additional information on Page 29.

Capital Assets and Debt Administration

As of June 30, 2020, the Charter School had investment in capital assets of \$68,104. This amount is net of accumulated depreciation of \$155,581. Capital assets additions in the current year include new computer software, computers and furniture.

The Charter School has no long-term debt as of June 30, 2020.

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2020**

Economic Factors

During fiscal year 2020, the Charter School's net position was negative \$502,271. As discussed in Note 11 to the financial statements, the Charter School has suffered recurring losses from operations and has a significant net position deficiency and that substantial doubt exists about the Charter School's ability to continue as a going concern.

School Enrollment

During the fiscal year June 30, 2020, the grade levels at the Charter School ranged from K-8th grade, with a total enrollment of 286 students.

Requests for Information

This financial report is designed to provide a general overview of the Victory Charter School K8's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Victory Charter School, 2880 N. Orange Blossom Trail, FL 34741

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8**

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

BASIC FINANCIAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
STATEMENT OF NET POSITION
JUNE 30, 2020**

	2020 Governmental Activities
<hr/>	
Assets	
<u>Current Assets</u>	
Cash	\$ 1,627
Accounts receivable	11,580
Deposit receivable	20,833
Total Current Assets	<hr/> 34,040
 Furniture, fixtures, equipment and software	 223,685
Less accumulated depreciation	(155,581)
	<hr/> 68,104
Total Assets	<hr/> <hr/> \$ 102,144
Liabilities and Net Assets	
<u>Current liabilities</u>	
Accounts payable	\$ 534,415
Line of credit	70,000
Total current liabilities	<hr/> 604,415
 Invested in capital assets, net of related debt	 68,104
Unrestricted	(570,375)
	<hr/> (502,271)
Total Net Position	(502,271)
Total Liabilities and Net Position	<hr/> <hr/> \$ 102,144

The Charter School notes are an integral part of these statements

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
STATEMENT OF ACTIVITIES
JUNE 30, 2020**

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Assets
<u>Governmental activities</u>					
Instruction	\$ 1,187,194	\$ -	\$ 166,430	\$ -	\$ (1,020,764)
Student support services	14,670	-	-	-	(14,670)
Board	24,816	-	-	-	(24,816)
General administration	97,800	-	-	-	(97,800)
School administration	172,626	-	-	-	(172,626)
Fiscal services	159,036	-	-	-	(159,036)
Central services	42,000	-	-	-	(42,000)
Student transportation services	32,552	-	-	-	(32,552)
Operation of plant	262,158	-	-	-	(262,158)
Maintenance of plant	4,534	-	-	-	(4,534)
Unallocated depreciation expense	31,955	-	-	-	(31,955)
Total governmental activities	<u>\$ 2,029,341</u>	<u>\$ -</u>	<u>\$ 166,430</u>	<u>\$ -</u>	<u>\$ (1,862,911)</u>
General revenues:					
State Sources					2,089,542
Miscellaneous					<u>9,531</u>
Total general revenues					<u>2,099,073</u>
Change in net assets					236,162
Net Assets - July 1, 2019					(738,433)
Net Assets - June 30, 2020					<u>\$ (502,271)</u>

The Charter School notes are an integral part of these statements

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8**

A CHARTER SCHOOL AND COMPONENT UNIT OF THE OSCEOLA COUNTY

COUNTY DISTRICT SCHOOL BOARD

FUND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2020**

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash	\$ 1,627	\$ -	\$ 1,627
Accounts receivable	-	11,580	11,580
Due from special revenue	11,580	-	11,580
Deposits receivable	20,833	-	20,833
	<u>20,833</u>	<u>-</u>	<u>20,833</u>
Total Assets	<u>\$ 34,040</u>	<u>\$ 11,580</u>	<u>\$ 45,620</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 534,415	\$ -	\$ 534,415
Due to general fund	-	11,580	11,580
	<u>-</u>	<u>11,580</u>	<u>11,580</u>
Total liabilities	<u>\$ 534,415</u>	<u>\$ 11,580</u>	<u>\$ 545,995</u>
Fund Balances:			
Nonspendable			
Deposit receivable	20,833	-	20,833
	<u>20,833</u>	<u>-</u>	<u>20,833</u>
Unassigned	(521,208)	-	(521,208)
	<u>(521,208)</u>	<u>-</u>	<u>(521,208)</u>
Total fund balances	<u>(500,375)</u>	<u>-</u>	<u>(500,375)</u>
Total Liabilities and Fund Balances	<u>\$ 34,040</u>	<u>\$ 11,580</u>	<u>\$ 45,620</u>

The Charter School notes are an integral part of these statements

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2020**

	<u>2020</u>
Total fund balances- governmental funds, Page 14	\$ (500,375)
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Cost of capital assets	\$ 223,685
Accumulated depreciation	<u>(155,581)</u> 68,104
Line of credit	(70,000)
Total Net Position - governmental activities, Page 11	<u><u>\$ (502,271)</u></u>

The Charter School notes are an integral part of these statements

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE – GOVERNMENTAL FUND
JUNE 30, 2020**

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>Revenues</u>			
State Sources	\$ 2,089,542	\$ -	\$ 2,089,542
Operating grants and contributions	34,119	132,311	166,430
Miscellaneous revenue	9,531	-	9,531
	<u>2,133,192</u>	<u>132,311</u>	<u>2,265,503</u>
<u>Expenditures</u>			
Instruction	1,104,957	82,237	1,187,194
Student support services	14,670	-	14,670
Board	24,816	-	24,816
General administration	89,726	8,074	97,800
School administration	172,626	-	172,626
Fiscal services	159,036	-	159,036
Central services	-	42,000	42,000
Pupil transportation	32,552	-	32,552
Operation of plant	262,158	-	262,158
Maintenance of plant	4,534	-	4,534
Capital outlay:			
Furniture & equipment	29,211	-	29,211
	<u>1,894,286</u>	<u>132,311</u>	<u>2,026,597</u>
Excess of revenues over expenditures	<u>238,906</u>	<u>-</u>	<u>238,906</u>
Other Financing uses:			
Transfer out	(30,000)	-	(30,000)
	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
Total other financing sources	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
Net change in fund balance	208,906	-	208,906
Fund balance - July 1, 2019	(709,281)	-	(709,281)
Fund balance - June 30, 2020	<u>\$ (500,375)</u>	<u>\$ -</u>	<u>\$ (500,375)</u>

The Charter School notes are an integral part of these statements

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
JUNE 30, 2020**

	<u>2020</u>
Total net changes in fund balance - governmental funds, Page 16	\$ 208,906
Amounts reported for governmental activities in the statement of net position are different because:	
Capital outlays are reported in governmental funds as expenditures however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Cost of capital assets purchased	\$ 29,211
Provision for depreciation	<u>(31,955)</u> (2,744)
Line of credit	30,000
Change in Net Position of governmental activities, Page 12	<u>\$ 236,162</u>

The Charter School notes are an integral part of these statements

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – ORGANIZATION AND OPERATIONS

Nature of Operations

The Victory Charter School K8 (“School”), a charter school under Avant Garde Academy, Inc., is a component of the District School Board of Osceola County, Florida (“District”). The School’s charter is held by Avant Garde Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Charter School operates under a charter of the sponsoring school district, Osceola County District School Board (the “District”). The renewed charter is effective until June 30, 2020 and may be renewed in increments of 5 to 15 years by mutual agreement between the Charter School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the Charter School in writing at least 90 days prior to the Charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Avant Garde Academy, Inc. D/B/A Victory Charter School K8 is considered a component unit of the Osceola County District School Board.

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

AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Basis of Presentation:

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

Government-wide Financial Statement:

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

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

Fund financial statements:

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

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

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

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

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting:

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

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

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

Capital assets

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

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

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

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

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

Due from Other Governments or Agencies

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

Revenue Sources

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

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

Compensated Absences

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

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

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

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

Deferred outflows/Inflows of Resources:

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

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

Equity classifications:

Government-wide financial statement

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

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

Fund financial statements

GASB Codification Section 1800.142. Fund Balance Reporting and Governmental Fund Type Definitions defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories lists below:

- a. Nonspendable fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end related to not in spendable asset form.
- b. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource provider, or through enabling legislation. Restricted fund balance of the School relates to reserves required by the landlord for property maintenance and repairs.

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund financial statements-continued

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

Encumbrances

Encumbrances represent commitments relating to unperformed contracts for goods or services. At June 30, 2020, there were no encumbrances outstanding.

Use of estimates

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

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition of disclosure through September 17, 2020, which is the date the financial statements were available to be issued.

AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 - CASH AND CERTIFICATE OF DEPOSIT

As of June 30, 2020, the bank balance was \$1,627. The individual bank balance did not exceed the FDIC limit as of June 30, 2020.

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

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

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable represent reimbursements from Title I funding of \$11,580. As of June 30, 2020, the total balance for accounts receivable is \$11,580.

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 – CAPITAL ASSETS

<u>Governmental Activities</u>	Beginning Balance July 1, 2019	Additions	Deletions	Ending Balance June 30, 2020
Furniture, Fixtures, and Equipment	\$ 52,631	\$ 13,685	\$ -	\$ 66,316
Computer Equipment/Software	141,843	15,526	-	157,369
	<u>194,474</u>	<u>29,211</u>	<u>-</u>	<u>223,685</u>
Less: Accumulated Depreciation for:				
Furniture, Fixtures, and Equipment	(24,807)	(9,474)		(34,281)
Computer Equipment/Software	<u>(98,819)</u>	<u>(22,481)</u>		<u>(121,300)</u>
Total Accumulated Depreciation	<u>(123,626)</u>	<u>(31,955)</u>	<u>-</u>	<u>(155,581)</u>
Governmental Activities Capital Assets, Net	<u>\$ 70,848</u>	<u>\$ (2,744)</u>	<u>\$ -</u>	<u>\$ 68,104</u>

The depreciation expense for the year ended June 30, 2020 amounted to \$31,955.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Management Contract:

The Charter school has contracted with National Academic Educational Partners, Inc. for educational management services in the operations of the school. The contract expires in June 2020 and provides for an annual fixed fee equal to 10% of net Florida Education Finance Program Revenue ("Fixed Fee"), for year one and 12% net for each year thereafter as compensation for the variety of educational management services. The fees paid to the management company for fiscal year ended June 30, 2020 was \$150,192.

Lease Agreement:

During the fiscal year ending June 30, 2020, Victory Charter School K8 entered a related party sublease with Victory Charter School which expired on June 30, 2020. The annual base rent was \$190,000 per annum. The rent paid to Victory Charter School for fiscal year ended June 30, 2020 was \$190,000.

Administrative Fee:

As provided in the charter school contract, the District has charged to the School an administrative fee totaling \$89,727 as of June 30, 2020.

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 – LINES OF CREDIT

The Charter School had an available line of credit with LBA Services, Inc for \$102,300. As of June 30, 2020, the total balance outstanding was \$70,000. As of June 30, 2020, the Charter School was closed and \$70,000 is still outstanding.

NOTE 8 – RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts, thefts of damage to and destruction of assets, errors and omissions and natural disasters for which the charter school carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past three (3) years. In addition, there were no reductions in insurance coverage from those in the prior year.

Pending Litigation

The Charter School is currently in litigation with Osceola Development, LLC. and is presently litigated by the Charter School's Attorney. In the opinion of management and based on the advice of the Charter School's Attorney, this matter is still in the initial stages of litigation and no mediation has been scheduled as of September 19, 2020. The outcome of this litigation is undeterminable therefore does not have a material effect on the financial position and results of operations of the Charter School.

NOTE 9 – GOING CONCERN

The financial statements have been prepared on a going concern basis which assumes the Charter School will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Charter School has a negative net position of \$500,375 as of as of June 30, 2020

Management believes these conditions raise substantial doubt about the Charter School's ability to continue as a going concern within the next twelve months from the date these financial statements are available to be issued. The ability to continue as a going concern is dependent upon profitable future operations, positive cash flows, and additional financing.

As of June 30, 2020, the Charter School voluntarily surrendered its charter to the Osceola School Board, thus closing the Charter School.

SUPPLEMENTARY INFORMATION

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020**

GENERAL FUND BUDGET

	Original Budget	Final Budget	Actual Amounts GAAP Basis	variances Positive (Negative)
<u>Revenues:</u>				
School Board of Osceola County	\$ 1,553,580	\$ 2,089,542	\$2,089,542	\$ -
Operating grants and contributions	-	34,119	34,119	-
Miscellaneous revenue	126,000	9,000	9,531	531
Total revenues	<u>1,679,580</u>	<u>2,132,661</u>	<u>2,133,192</u>	<u>531</u>
<u>Expenses:</u>				
Instruction	1,233,824	1,105,000	1,104,957	43
Student support services	-	14,500	14,670	(170)
Board	26,000	28,000	24,816	3,184
General administration	81,596	81,596	89,726	(8,130)
School administration	259,947	175,000	172,626	2,374
Fiscal services	185,484	155,000	159,036	(4,036)
Student transportation services	126,000	32,000	32,552	(552)
Operation of plant	607,880	270,575	262,158	8,417
Maintenance of plant	24,500	5,000	4,534	466
Capital outlay	-	29,211	29,211	-
Total expenditures	<u>2,545,231</u>	<u>1,895,882</u>	<u>1,894,286</u>	<u>1,596</u>
Excess (deficit) of revenues over expenditures	<u>\$ (865,651)</u>	<u>\$ 236,779</u>	<u>\$ 238,906</u>	<u>\$ 2,127</u>

SPECIAL REVENUE FUND BUDGET

	Original Budget	Final Budget	Actual Amounts GAAP Basis	Variances Positive (Negative)
<u>Revenues:</u>				
Operating grants and contributions	<u>\$ 132,311</u>	<u>\$ 132,311</u>	<u>\$ 132,311</u>	<u>\$ -</u>
Total revenues	<u>132,311</u>	<u>132,311</u>	<u>132,311</u>	<u>-</u>
<u>Expenses:</u>				
Instructions	82,237	82,237	82,237	-
General administration	8,074	8,074	8,074	-
Central services	42,000	42,000	42,000	-
Total expenditures	<u>132,311</u>	<u>132,311</u>	<u>50,074</u>	<u>-</u>
Excess (deficit) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,237</u>	<u>\$ -</u>

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
NOTES TO SUPPLEMENTARY INFORMATION**

Budgetary Basis Accounting

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



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

To the Board of Directors
Avant Garde Academy, Inc.
D/B/A Victory Charter School K8
Kissimmee, Florida

We have audited, in accordance with the standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Avant Garde Academy, Inc. D/B/A Victory Charter School K8 (the "Charter School"), a component unit of the Osceola County District School Board, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Avant Garde Academy, Inc. D/B/A Victory Charter School K8's basic financial statements, and have issued our report thereon dated September 17, 2020.

Internal Control over Financial Reporting

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

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

Internal Control over Financial Reporting (Continued)

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

Compliance and Other Matters

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

Purpose of this Report

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

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


Miami, Florida
September 17, 2020



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

To the Board of Directors
Avant Garde Academy, Inc.
D/B/A Victory Charter School K8
Kissimmee, Florida

Report on the Financial Statements

We have audited the financial statements of Avant Garde Academy, Inc. D/B/A Victory Charter School K8 (“the School”), Florida, as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated September 17, 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports which are dated September 17, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were findings and recommendations made in the preceding annual financial audit report.



Management Letter - Continued

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are of Avant Garde Academy, Inc. D/B/A Victory Charter School K8 and 0161.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the school did meet one of the conditions described in Section 218.503(1), Florida Statutes, as shown in Finding No. 2018-04.

Pursuant to Section 10.854(1)(e)6. a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. At June 30, 2020, the School met the definition of deteriorating financial conditions as shown in Finding No. 2018-05.

Section 10.854(1)(e)(3), Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have made some recommendations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its website information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.



Management Letter – Continued

Purpose of this letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, School Board of Directors, School's management, and the School Board of Osceola County and is not intended to be and should not be used by anyone other than these specified parties.

Gardner & Associates, PA
Miami, Florida
September 17, 2020

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8
PRIOR YEAR FINDINGS AND MANAGEMENT'S RESPONSE
JUNE 30, 2020**

Findings

2018-01

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

View of Responsible Management and Planned Corrective Actions – As of June 30, 2020 the Charter School voluntarily surrendered its charter to the Osceola School Board, thus closing the Charter School.

2018-02

Disbursements – The School made four payments to The School Store, Inc. totaling \$21,340 relating to academic consulting, attorney fees, marketing, and management fees during the 2017-18 fiscal year. We were provided invoices for three transactions and the fourth transaction was documented by an email requesting payment. These types of services generally call for a contract to set forth the specific duties and outcomes to be provided by the vendor. We requested a copy of contracts for these services; however, none were provided. Without proper documentation, we were unable to determine the appropriateness of these disbursements. We recommend the School obtain all invoices and contracts to properly document these disbursements.

View of Responsible Management and Planned Corrective Actions – As of June 30, 2020 the Charter School voluntarily surrendered its charter to the Osceola School Board, thus closing the Charter School.

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8**

**PRIOR YEAR FINDINGS AND MANAGEMENT'S RESPONSE
JUNE 30, 2020**

2018-03

Budget Over expenditures – Florida Statutes Section 1002.33(9)4.(h) requires the School to adopt and maintain an operating budget. The School adopted an annual budget and amended it during the year. However, as shown in the Budgetary Comparison Schedule on page 24, expenditures exceeded final budgeted amounts in 5 functions by \$427,504 in total. We recommend the Board adjust the School's budget in a timely manner to prevent expenditures exceeding the final approved budget.

View of Responsible Management and Planned Corrective Actions – As of June 30, 2020 the Charter School voluntarily surrendered its charter to the Osceola School Board, thus closing the Charter School.

2018-04

Financial Emergency - The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the School met one of the conditions described in Section 218.503(1), Florida Statutes. The School failed to pay uncontested claims from several vendors totaling approximately \$23,000, as recorded in the Schools accounting records, within 90 days as of June 30, 2018. These events resulted from a lack of available funds. We recommend the School make appropriate financial arrangements with the unpaid vendors to make good on all past due amounts owed.

View of Responsible Management and Planned Corrective Actions – As of June 30, 2020 the Charter School voluntarily surrendered its charter to the Osceola School Board, thus closing the Charter School.

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8**

**CURRENT YEAR FINDINGS AND MANAGEMENT'S RESPONSE
JUNE 30, 2020**

2019-01

Deteriorating Financial Condition

Criteria: As defined in Section 218.39(5)(b) indicators of a deteriorating financial condition are a fund balance deficit in total or for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit and for which sufficient resources are not available to cover the deficit.

Condition: At June 30, 2020, the School had a net position deficit of (\$502,271). Current liabilities exceed current assets. Current assets should equal or exceed current liabilities.

	As of 6/30/2020	As of 6/30/2019	(Decrease)/ Increase from 6/30/2019 to 6/30/2020
Asset	102,144	169,421	(67,277)
Liabilities	604,415	907,854	(303,439)
Unrestricted Net Position	(502,271)	(738,433)	236,162
Change in Net Position	23,662	(528,989)	552,651

Cause: The School is in its third year of operations and expended resources for the initial startup cost and purchases of capital assets for which it did incur some related debt.

Potential effect: Potentially the School could lack the resources to meet its obligations.

Recommendation: The School should monitor its enrollment and budget versus expenditures to ensure spending is within the budget.

View of Responsible Management and Planned Corrective Actions – As of June 30, 2020 the Charter School voluntarily surrendered its charter to the Osceola School Board, thus closing the Charter School.

**AVANT GARDE ACADEMY, INC.
D/B/A VICTORY CHARTER SCHOOL K8**

**CURRENT YEAR FINDINGS AND MANAGEMENT'S RESPONSE
JUNE 30, 2020**

2019-02

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

1. Observation #1 – Late/Incomplete lease
2. Late/Incomplete Factoring Payments
3. Late/Incomplete Invoice Payments
4. Low/deficit Fund Balance
5. Negative Net Cash Position
6. Increasing Accounts Payable Balances
7. Intercompany due to/from account
8. Waiver of Management
9. Issuance of New Debt
10. Non-Compliance with District Agreements
11. Related parties and Conflict of Interest
12. Lack of Internal Control over Check Payments

During our audit, we noted that although these conditions were noted in February 2019, the Charter School's financial condition has not changed by the end of the school year June 30, 2020.

- a. Late/Incomplete lease payments continued throughout our audit period.
- b. The Charter School has a negative net position, fund balance, and cash position.
- c. The status of the non-compliance with district agreements still exist because the intercompany receivable have not been paid off and terms for repayment have not been negotiated.
- d. There is possibly a conflict of interest because it appears that LBS operates as management and lends to the charter school interest free.
- e. Instances of material weakness in internal controls still exist.

Recommendation: We recommend the School continue to improve their financial accounting process to ensure the fair presentation of reported and recorded financial information.

View of Responsible Management and Planned Corrective Actions – As of June 30, 2020 the Charter School voluntarily surrendered its charter to the Osceola School Board, thus closing the Charter School.