

# The Learning Academy, Inc.

BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Learning Academy, Inc.  
Milton, Florida

### Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Learning Academy, Inc. (the "School"), a component unit of the Santa Rosa County School District, Florida (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2020, and the results of its operations for the year then ended, and is not intended to be a complete presentation of the District.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

*McDonough CPA Solutions, PA*

September 14, 2020  
Melbourne, Florida

## Management's Discussion and Analysis

As management of The Learning Academy, Inc. (the "School"), which is a component unit of the Santa Rosa County School District, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2020 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (d) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis ("MD&A") is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements, as listed in the table of contents.

### Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$694,075.
- The School's total net position increased by \$96,770.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$177,837.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$170,320.

### Overview of the Financial Statements

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

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

The statement of net position presents information on all of the School's assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by District, State, and Federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the Santa Rosa County School District, Florida. The Santa Rosa County School District, Florida includes the operations of the School in their operational results.

The governmental-wide financial statements can be found listed on the table of contents of this report.

**Fund financial statements.** A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

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

Because the focus of governmental funds is narrower than that of the government-side financial statements, it is useful to compare the information presented for governmental funds with similar information represented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the 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 three individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The general fund and capital outlay fund are considered to be major funds. The basic governmental fund financial statements can be found listed on the table of contents of this report.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules and note to these schedules have been provided to demonstrate compliance with this budget and are listed in the table of contents of this report.

Notes to 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 listed on the table of contents of this report.

### Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a School's financial position. In the case of the School, for the years ended June 30, 2020 and 2019, assets exceeded liabilities by \$694,075 and \$597,307, respectively.

A significant portion of the School's net position reflects its net investment in capital assets (e.g., land, buildings, improvements other than buildings, computer software, furniture, fixtures and equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's net investment in its 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 investment in capital assets, net of related debt totaled \$516,238 at June 30, 2020.

Comparison of the condensed statement of net position and the statement of activities are provided below.

<b>The Learning Academy, Inc.</b>			
<b>Statement of Net Position</b>			
	<u>2020</u>	<u>2019</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 310,944	\$ 124,341	\$ 186,603
Capital assets, net	<u>1,396,408</u>	<u>1,469,893</u>	<u>(73,485)</u>
Total assets	<u>1,707,352</u>	<u>1,594,234</u>	<u>113,118</u>
<b>LIABILITIES</b>			
Current liabilities	237,738	104,316	133,422
Noncurrent liabilities	<u>775,539</u>	<u>892,611</u>	<u>(117,072)</u>
Total liabilities	<u>1,013,277</u>	<u>996,927</u>	<u>16,350</u>
<b>NET POSITION</b>			
Net investment in capital assets	516,238	480,540	35,698
Restricted for capital outlay	7,517	5,615	1,902
Unrestricted	<u>170,320</u>	<u>111,152</u>	<u>59,168</u>
Total net position	<u>\$ 694,075</u>	<u>\$ 597,307</u>	<u>\$ 96,768</u>

Current assets increased related to cash proceeds received from the paycheck protection program related to the Covid 19 pandemic. Capital assets, net decreased due to current year depreciation offset by new additions. Total liabilities increased due to payments of current year principal for outstanding debt offset by an increase related to a non-exchange financial guarantee related to the paycheck protection program.

**The Learning Academy, Inc.**  
**Statement of Activities**

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Revenues			
Program revenues			
Operating grants and contributions	\$ 48,248	\$ 61,507	\$ (13,259)
Capital grants and contributions	93,168	102,641	(9,473)
General revenues			
Florida education finance program	1,000,385	1,124,236	(123,851)
Other revenues	12,175	13,743	(1,568)
	<u>1,153,976</u>	<u>1,302,127</u>	<u>(148,151)</u>
Expenses			
Basic instruction	400,768	469,877	(69,109)
Staff development	5,084	-	5,084
Board of directors	11,793	13,000	(1,207)
School administration	173,375	213,274	(39,899)
Facilities	10,077	22,951	(12,874)
Fiscal services	95,769	114,568	(18,799)
Food services	496	650	(154)
Staff services	90,006	107,728	(17,722)
Transportation	72,218	84,969	(12,751)
Operation of plant	170,747	247,070	(76,323)
Maintenance of plant	-	13,457	(13,457)
Administrative technology	11,709	15,989	(4,280)
Debt service	15,164	46,945	(31,781)
	<u>1,057,206</u>	<u>1,350,478</u>	<u>(293,272)</u>
Change in net position	96,770	(48,351)	145,121
Net position - beginning	597,305	645,656	(48,351)
Net position - ending	<u>\$ 694,075</u>	<u>\$ 597,305</u>	<u>\$ 96,770</u>

In current year, revenues decreased due to the decrease in student enrollment. Basic instruction and School administration decreased mainly to a decline in the number of teachers or administrators' salaries. Fiscal services decreased mostly to a reduction in management and accounting/auditing fees. Staff services decreased largely to a reduction in management fees charged to the School. Operation of Plant decreased due to a reduction of salaries and contact service for the School Resource Officer presently provided by the School District at no cost to the School. Debt service decreased due to current year interest.

## **Financial Analysis of the Government's Funds**

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

Governmental funds. The focus of the School's governmental funds is to provide information on 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 current fiscal year, the School's governmental funds reported a combined ending fund balance of \$177,837.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$170,320.

During the current fiscal year, the fund balance of the School's general fund increased by \$53,555.

### **General Fund Budgetary Highlights**

Actual general fund revenues were more than final budget by \$940. Actual general fund expenditures were less than final budget by \$92,212.

The budgetary information can be found listed on the table of contents of this report.

### **Capital Asset and Debt Administration**

**Capital Assets.** The School's net investment in capital assets for its governmental type activities as of June 30, 2020 amounts to \$516,238. This investment in capital assets includes land, buildings, improvements other than buildings, and furniture, fixtures, and equipment, net of related debt. Additional information on the School's capital assets can be found in Note C.

**Debt Administration.** As of June 30, 2020, the School had outstanding debt of \$880,170.

**Economic Factor.** A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to decrease from 185 students in the current year to 110 students for the 2020/2021 school year. In addition, the School is estimating a potential decline in referrals provided by the district between 34% to 36% related to the impact of the COVID-19 pandemic.

## **Request for Information**

This financial report is designed to provide a general overview of The Learning Academy, Inc.'s finances for 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 Rader Group, 101-A Business Centre, Miramar Beach, FL 32550.

**The Learning Academy, Inc.**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	304,141
Due from other agencies		6,803
Prepaid expenses		-
Total current assets		310,944

**CAPITAL ASSETS**

Capital assets not being depreciated:		
Land		185,000
Capital assets, net of accumulated depreciation:		
Buildings and fixed equipment		1,095,887
Leasehold improvements		74,406
Furniture, fixtures and equipment		22,354
Computer software		8,486
Vehicles		10,275
Total capital assets, net		1,396,408
Total assets		1,707,352

**LIABILITIES**

Accounts payable		84
Accrued payroll liabilities		901
Exchange financial guarantees		132,122
Long-term liabilities:		
Due within one year		104,631
Due in more than one year		775,539
Total liabilities		1,013,277

**NET POSITION**

Net investment in capital assets		516,238
Restricted for:		
Capital outlay		7,517
Unrestricted		170,320
Total net position		\$ 694,075

The accompanying notes are an integral part of this financial statement.

**The Learning Academy, Inc.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2020**

Fuctions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b>Governmental Activities:</b>					
Basic instruction	\$ 400,768	\$ -	\$ 48,248	\$ -	\$ (352,520)
Psychological services	5,084	-	-	-	(5,084)
Board of directors	11,793	-	-	-	(11,793)
School administration	173,375	-	-	-	(173,375)
Facilities	10,077	-	-	93,168	83,091
Fiscal services	95,769	-	-	-	(95,769)
Food services	496	-	-	-	(496)
Staff services	90,006	-	-	-	(90,006)
Transportation	72,218	-	-	-	(72,218)
Operation of plant	170,747	-	-	-	(170,747)
Administrative technology	11,709	-	-	-	(11,709)
Interest on note payable	15,164	-	-	-	(15,164)
<b>Total governmental activities</b>	<b>\$ 1,057,206</b>	<b>\$ -</b>	<b>\$ 48,248</b>	<b>\$ 93,168</b>	<b>(915,790)</b>

<b>General revenues:</b>	
Florida education finance program	1,000,385
Other revenues	12,175
<b>Total general revenues</b>	<b>1,012,560</b>
Change in net position	96,770
Net position at July 1, 2019	597,305
<b>Net position at June 30, 2020</b>	<b>\$ 694,075</b>

The accompanying notes are an integral part of this financial statement.

**The Learning Academy, Inc.**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2020**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 304,141	\$ -	\$ -	\$ 304,141
Due from other agencies	6,803	-	-	6,803
Due from other funds	-	7,517	-	7,517
Total assets	\$ 310,944	\$ 7,517	\$ -	\$ 318,461
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 84	\$ -	\$ -	\$ 84
Accrued payroll liabilities	901	-	-	901
Exchange financial guarantees	132,122	-	-	132,122
Due to other funds	7,517	-	-	7,517
Total liabilities	140,624	-	-	140,624
 <b>FUND BALANCES</b>				
Restricted for capital outlay	-	7,517	-	7,517
Unassigned	170,320	-	-	170,320
Total fund balances	170,320	7,517	-	177,837
Total liabilities and fund balances	\$ 310,944	\$ 7,517	\$ -	\$ 318,461

The accompanying notes are an integral part of this financial statement.

**The Learning Academy, Inc.**  
**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF**  
**NET POSITION**  
**June 30, 2020**

Total Fund Balance - Governmental Funds	\$	177,837
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	\$	1,892,641
Accumulated depreciation		<u>(496,233)</u>
		1,396,408
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Note payable	\$	(857,363)
Capital lease payable		<u>(22,807)</u>
		<u>\$ (880,170)</u>
Net Position of Governmental Activities		<u><u>\$ 694,075</u></u>

The accompanying notes are an integral part of this financial statement.

**The Learning Academy, Inc.**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2020**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Federal passed through state and local	\$ -	\$ -	\$ 48,248	\$ 48,248
State passed through local school district	1,000,385	93,168	-	1,093,553
Other revenues	12,175	-	-	12,175
Total revenues	<u>1,012,560</u>	<u>93,168</u>	<u>48,248</u>	<u>1,153,976</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	343,707	-	48,248	391,955
Psychological services	-	-	-	-
Curriculum development	-	-	-	-
Staff development	5,084	-	-	5,084
Board of directors	11,793	-	-	11,793
School administration	173,375	-	-	173,375
Facilities	-	10,077	-	10,077
Fiscal services	95,769	-	-	95,769
Food services	200	-	-	200
Staff services	90,006	-	-	90,006
Transportation	67,858	-	-	67,858
Operation of plant	106,537	-	-	106,537
Maintenance of plant	-	-	-	-
Administrative technology	11,709	-	-	11,709
Debt service	50,423	73,924	-	124,347
Fixed capital outlay	2,544	1,650	-	4,194
Total expenditures	<u>959,005</u>	<u>85,651</u>	<u>48,248</u>	<u>1,092,904</u>
Net change in fund balance	53,555	7,517	-	61,072
Fund balances at July 1, 2019	116,765	-	-	116,765
Fund balances at June 30, 2020	<u>\$ 170,320</u>	<u>\$ 7,517</u>	<u>\$ -</u>	<u>\$ 177,837</u>

The accompanying notes are an integral part of this financial statement.

**The Learning Academy, Inc.**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2020**

Net Change in Fund Balances - Governmental Funds \$ 61,072

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those asset are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

Capital outlay	\$ 4,194	
Provision for depreciation	<u>(77,679)</u>	(73,485)

The repayment of the principal of long-term debt consumes the current financial resources of the School without affecting the net position. The statement of activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:

Note payable	\$ 104,303	
Capital lease	<u>4,880</u>	109,183

Change in Net Position - Governmental Activities	<u><u>\$ 96,770</u></u>
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The accompanying notes are an integral part of this financial statement.

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

The Learning Academy, Inc. (the “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. The School provides educational services to students of grades 6 – 12. The governing body of the School is the Board of Directors, which is composed of three 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 Santa Rosa County School District, Florida (the “District”). The current charter is effective through June 30, 2024. 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. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the Santa Rosa County School District, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, 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, liabilities, and deferred outflows/inflows of resources, 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 investments in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect 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.

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

Indirect expenses are costs the School has allocated to various functions. 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 the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

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. Two of the School's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. 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 on a 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. 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 School considers revenues to be available if they are collected within sixty days 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.

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt 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.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

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

Capital Outlay Fund – is a special revenue fund used in accordance with guidelines established by the Santa Rosa County School District, Florida, this fund accounts for all resources for the construction and acquisition of capital facilities and assets.

4. Cash

Cash consists of petty cash on hand at the School and checking accounts held at a financial institution. The School has no cash equivalents.

5. Receivables

The School's management reviewed receivables at June 30, 2020, and determined that the balance was considered fully collectible based on prior experience; therefore, no allowance for doubtful accounts has been provided.

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Interfund activity

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. At the end of the year, the General Fund owed the Capital Outlay Fund \$7,517.

7. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

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

Asset Class	Estimated Useful Lives
Buildings	9 - 30
Leasehold improvements	5 - 15
Furniture, fixtures and equipment	5 - 10
Computer Software	3 - 5
Vehicles	3 - 5

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.

8. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports 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 FTE students and related data to the Florida Department of Education ("FDOE") for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School may receive federal awards for the enhancement of various educational 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 qualifying eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

10. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimate amounts.

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

11. Income Taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all of its tax positions are more likely than not to be sustained upon examination. The School files Form 990 in the U.S. federal jurisdiction.

12. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance – amounts that are not spendable (such as inventory and prepaid expenses) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level action to remove or change the constraint.

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

12. Fund balance classification (continued)

Assigned fund balance – amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose. No other fund except the General Fund can report positive amounts of unassigned fund balance.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

13. Budget

An operating budget is adopted and maintained by the governing board of the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements

**NOTE B – CASH**

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes. As of June 30, 2020, \$55,953 of the School's balances held were exposed to custodial credit risk.

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE C – CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Capital Assets not depreciated:				
Land	\$ 185,000	\$ -	\$ -	\$ 185,000
Total capital assets not depreciated	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>185,000</u>
Capital assets depreciated:				
Buildings and fixed equipment	1,263,234	-	-	1,263,234
Improvements other than buildings	316,432	-	-	316,432
Computer software	23,500	-	-	23,500
Furniture, fixtures and equipment	111,806	4,194	-	116,000
Vehicles	21,800	-	-	21,800
Total capital assets depreciated	<u>1,736,772</u>	<u>4,194</u>	<u>-</u>	<u>1,740,966</u>
Less accumulated depreciation:				
Buildings and fixed equipment	124,654	42,693	-	167,347
Improvements other than buildings	233,733	8,293	-	242,026
Computer software	7,181	7,833	-	15,014
Furniture, fixtures and equipment	79,146	14,500	-	93,646
Vehicles	7,165	4,360	-	11,525
Total accumulated depreciation	<u>451,879</u>	<u>77,679</u>	<u>-</u>	<u>529,558</u>
Total capital assets, net	<u>\$ 1,469,893</u>	<u>\$ (73,485)</u>	<u>\$ -</u>	<u>\$ 1,396,408</u>

Depreciation expense was charged for the year ended June 30, 2020 to functions of the School as follows:

Basic instruction	\$ 8,813
Food	296
Transportation	4,360
Plant	64,210
	<u>\$ 77,679</u>

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE D – LONG TERM LIABILITIES**

Changes in long-term liabilities were as follows:

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Due within one year
Note payable	\$ 961,666	\$ -	\$ (104,303)	\$ 857,363	\$ 85,467
Capital lease	<u>27,687</u>	<u>-</u>	<u>(4,880)</u>	<u>22,807</u>	<u>19,164</u>
	<u>\$ 989,353</u>	<u>\$ -</u>	<u>\$ (109,183)</u>	<u>\$ 880,170</u>	<u>\$ 104,631</u>

1. Note payable

The School entered into a promissory note on April 28, 2018, for the purchase and renovations of a new facility, which included a line of credit phase until the total amount of principal had been advanced in the amount of \$1,120,000. Interest only was due and payable on the principal advances during the line of credit phase from May 28, 2018 through October 28, 2018 at a rate per annum of the Wall Street Journal Prime plus 1.0%. Effective October 29, 2018 the note converted to a fixed rate per annum of 4.75%, due in 144 monthly installments of principal and interest of \$10,362 through October 2028.

Future principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2021	85,467	38,880
2022	89,617	34,731
2023	93,967	30,380
2024	98,529	25,818
2025	103,313	21,035
Thereafter	<u>386,470</u>	<u>32,502</u>
	<u>\$ 857,363</u>	<u>\$ 183,346</u>

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE D – LONG TERM LIABILITIES (continued)**

2. Capital lease payable

The School entered into a lease agreement for the purchase of equipment in the amount of \$66,222. At the conclusion of the lease, ownership is transferred to the School. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, the obligations have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The lease is for a term of 60 months, requiring monthly payments of \$1,875. At June 30, 2020, assets recorded under the capital lease was as follows:

	Cost	Accumulated Depreciation	Net Book Value
Furniture, fixtures and equipment	\$ 66,222	\$ 47,457	\$ 18,765

The following is a schedule of future minimum lease payments at June 30:

2021	22,500
2022	3,750
	26,250
Less interest	3,443
	\$ 22,807

**NOTE E – CONCENTRATIONS**

Revenue sources

As stated in Note A-9, the School receives revenues for current operations primarily from the State of Florida through the local school district.

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE E – CONCENTRATIONS (continued)**

The following is a schedule of revenue sources and amounts:

School Board of Santa Rosa County, Florida	
Base funding	\$ 591,354
Digital classroom	993
Class size reduction	113,608
Reading allocation	7,125
Supplemental academic instruction	131,343
Discretionary lottery	105
Library media	492
Instructional materials allocation	7,910
Classroom supply assistance	2,266
	855,196
FEFP Referrals	68,170
Best and brightest	8,849
Capital outlay	159,890
Safety and security	1,448
Title 1	48,248
	\$ 1,141,801

**NOTE F – COMMITMENTS AND CONTINGENCIES**

1. Management service contact

As of July 8, 2015, the School entered into a management agreement with a third party (“Management Company”) to provide financial, human resource, and administration related assistance to the School at a fee which the School’s Board shall approve annually and shall be a part of the Annual and Amended Budget. The management agreement will remain in effect during any subsequent terms of the charter contract between the School and School District unless terminated in accordance with the terms of the contact. Current year management fees and other fees paid to the Management Company totaled \$175,500.

2. Operating leases

The School has entered into various leases for equipment with monthly payments ranging from \$218 to \$239, maturing from 2021 through 2025. Rental expense totaled \$5,377 for the year ended June 30, 2020.

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE F – COMMITMENTS AND CONTINGENCIES (continued)**

2. Operating leases

Future minimum lease payments are as follows for the years ended June 30:

2021	\$	3,514
2022		2,613
2023		2,613
2024		2,613
2025		2,613
		<u>\$ 13,966</u>

**NOTE G – RELATED PARTY**

1. Management agreement

The Management Company provides financial, human resources, and administration services based on a contractual arrangement with the School. The Management Company manages the finances and operations and makes recommendations to the School's independent Board of Directors, which makes the final determinations regarding policies and contracts. Total management and other fees charged to operations for the year ended June 30, 2020 were \$175,500 (see Note F).

2. Shared operating expenses

The School shares various operating expenses with schools operated by the same management company. During the year, the School reimbursed shared operating expenses in the amount of \$10,146.

**NOTE H – RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial liability insurance. Under the plan for property insurance, the School's liability is \$1,000 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2020. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

**NOTE I – NONEXCHANGE FINANCIAL GUARANTEES**

On May 21, 2020, the School received loan proceeds in the amount of approximately \$132,122 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are guaranteed

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

forgivable by the Small Business Administration (SBA) after eight weeks of utilization as long as the School uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. At this time, the School intends the proceeds received will be used for eligible purposes consistent with described conditions and believes it is more likely than not that the SBA will grant the forgiveness in full in accord with the guarantee.

The liability recognized for the nonexchange financial guarantee by the School at June 30, 2020 is as follows:

<u>July 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2020</u>
\$ -	\$ 132,122	\$ -	\$ 132,122

**NOTE J – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 14, 2020, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements except as noted:

On March 9, 2020, the Governor of the State of Florida declared a state of emergency in response to the global Coronavirus Disease 2019 (COVID-19) pandemic. In the weeks following the declaration, precautionary measures to slow the spread of the virus had been ordered. These measures including the closing of schools and requiring Florida residents to stay home unless they are leaving for essential functions. Over the following weeks, a step process was used by the Florida economy to slowly reopened and on July 6, 2020, the State of Florida Department of Education, under the directions of the Governor, announced the reopening of the School related to 2020-21 Florida’s Optional Innovative Reopening Plan. Under this plan, the School is to provided student with two options to return to School. The first option is the students return to the brick and mortar building 5 days a week infused with digital learning for all students. The second option for students is a remote learning option following the regular bell schedule and revised board approved school calendar with educational program 5 days per week. This Remote option will provide teachers from a student’s zoned school and using curriculum content from the Florida Virtual School (FLVS) along with their Educator instructional Learning Management System.

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE J – SUBSEQUENT EVENTS (continued)**

(LMS) For courses not available from FLVS, teachers will develop their own remote curriculum when possible.

The School has implemented these change to the 2020-21 School year and is expecting a minor impact on the School related to these changes due to fact the School has operated on a blended model with implementation and adjustment being minor. On the other hand, enrollment at the School might have a impact related to the student referrals it receives from the School District. The School is estimating a potential decline in referral revenues provided by the district between 34% to 36% related to the impact of the COVID-19 pandemic.

In addition to mandated operational changes by the State, the School received Paycheck Protection Program Funds provided under the CARES act to continue to pay teachers over closure weeks of the School in March. The School has allocated these funds to be used only related to payroll, benefits, rent and utilities, and maintains its payroll levels over the eight-week coverage period in accordance with the restriction of the loan forgiveness. As of August 31, 2020, the School has used all monies related to these requirements and is applying for forgiveness of the loan closer by the end of the 2020 year per the bank's instructions. The School believes it is more likely than not that it will receive forgiveness of the loan and has met the forgiveness requirements.

The future impact of COVID-19 pandemic may possible affect future operating costs and revenues in the event of resurgence of cases and potential shut downs by the State or City.

**The Learning Academy, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**REQUIRED SUPPLEMENTARY INFORMATION**

**THE LEARNING ACADEMY, INC.**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND**  
**ACTUAL – GENERAL FUND**  
**For the year ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
FEFP	\$ 1,033,973	\$ 991,641	\$ 979,454	\$ (12,187)
Lead teacher fund	2,344	2,344	2,266	(78)
Digital allocation	1,154	-	-	-
Reading allocation	6,359	-	7,125	7,125
Best and brightest	-	-	11,540	11,540
Donations	300	300	430	130
E-Rate	9,720	9,361	9,361	-
Uniforms	-	-	266	266
Sale of vehicle	-	-	1,000	1,000
Miscellaneous	500	7,974	1,118	(6,856)
Total revenues	<u>1,054,350</u>	<u>1,011,620</u>	<u>1,012,560</u>	<u>940</u>
Expenditures				
Salaries	420,922	445,000	429,451	15,549
Retirement	16,200	-	2,060	(2,060)
Social Security	33,000	34,000	32,414	1,586
Group Insurance	64,000	56,000	55,643	357
Worker's Comp	12,000	9,000	6,578	2,422
Unemployment compensation	2,000	2,000	335	1,665
Management Fee	175,500	175,500	175,500	-
Audit/Accounting	8,000	8,000	7,000	1,000
Computer Services	15,000	15,000	9,873	5,127
School Resource Officer	32,000	-	-	-
Misc. Contract Services	5,000	-	-	-
Staff development	5,000	5,000	5,000	-
Professional services	-	5,000	-	5,000
Insurance	35,000	35,000	33,718	1,282
Travel	13,400	3,400	2,915	485
Vehicle/Maint	25,000	25,000	15,680	9,320
Computer repair	-	-	346	(346)
Inspections/Fire Ext	1,248	1,248	1,077	171
Lease-Copier	5,700	5,700	5,377	323
Lease-Equipment	23,648	23,648	22,500	1,148
Rental-other	1,500	1,500	-	1,500
Postage	1,300	1,300	828	472
Phone/Internet	19,000	18,000	16,690	1,310
Water/Sewer	5,500	5,500	4,738	762
Printing	1,000	1,000	829	171
Pest Control	440	440	757	(317)
Security Monitoring	1,512	1,512	756	756
Misc. Non-prof.Svc	5,324	5,324	4,706	618
Elect/Gas	30,000	30,000	22,306	7,694
Gas/Vehicles	18,000	18,000	182	17,818
Supplies	33,000	22,500	18,329	4,171
Instructional Material	9,500	8,955	9,429	(474)
Lunches	1,000	1,000	200	800
Equipment	2,000	3,000	3,051	(51)
Computer Hardware under \$750	23,000	11,500	7,329	4,171
Principal and Interest	51,554	52,172	50,423	1,749
Software	5,000	8,018	1,626	6,392
Fees/Miscellaneous	5,000	5,000	5,142	(142)
Auto Tags & Fees	-	-	175	(175)
Other personal Services	-	-	6,042	(6,042)
Substitutes/Temporary	7,500	7,000	-	7,000
Total expenditures	<u>1,113,748</u>	<u>1,050,217</u>	<u>959,005</u>	<u>91,212</u>
Excess (deficiency) of revenues over (under) expenditures	(59,398)	(38,597)	53,555	92,152
Other financing sources (uses)				
Transfers in	85,000	-	-	-
Net change in fund balance	<u>25,602</u>	<u>(38,597)</u>	<u>53,555</u>	<u>92,152</u>
Fund balance at July 1, 2019	116,765	116,765	116,765	-
Fund balance at June 30, 2020	<u>\$ 142,367</u>	<u>\$ 78,168</u>	<u>\$ 170,320</u>	<u>\$ 92,152</u>

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

**THE LEARNING ACADEMY, INC.**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND**  
**ACTUAL – CAPITAL OUTLAY FUND**  
**For the year ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charter school capital outlay	\$ 98,554	\$ 94,903	\$ 93,168	\$ (1,735)
Total revenues	98,554	94,903	93,168	(1,735)
Expenditures				
Salaries	12,000	8,850	5,033	3,817
Social security	918	675	385	290
Unemployment	125	125	9	116
Repairs and maintenance	15,000	15,000	4,678	10,322
Supplies	-	-	462	(462)
Equipment/computer	-	-	454	(454)
Buses	-	-	706	(706)
P&I New Building	73,094	72,475	73,924	(1,449)
Total expenditures	101,137	97,125	85,651	14,545
Net change in fund balance	(2,583)	(2,222)	7,517	16,280
Fund balance at July 1, 2019	-	-	-	-
Fund balance at June 30, 2020	\$ (2,583)	\$ (2,222)	\$ 7,517	\$ 16,280

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

**The Learning Academy, Inc.**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2020**

**NOTE A – BUDGETARY INFORMATION**

The School's budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for all governmental fund activities and may be amended by the School's Board of Directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2020, have 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.

## **COMPLIANCE INFORMATION**

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

To the Board of Directors  
The Learning Academy, Inc.  
Milton, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The Learning Academy, Inc. (the School”), a component unit of the Santa Rosa County School District, Florida, as of and for the year ended June 30, 2020 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 14, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*McDonough CPA Solutions, PA*

September 14, 2020  
Melbourne, Florida



## MANAGEMENT LETTER

To the Board of Directors  
The Learning Academy, Inc.  
Milton, Florida

### Report on the Financial Statements

We have audited the financial statements of The Learning Academy, Inc. (the "School"), a component unit of the Santa Rosa County School District, Florida, as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated September 14, 2020.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

### Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which are dated September 14, 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 or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, the School did not have prior year findings.

### Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Department of Education of the entity is The Learning Academy, Inc.; 8001.

## **Financial Condition and Management**

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, requires us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.854(1)(e)3., Rules of the Audit General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

## **Transparency**

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

## **Other 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 have any such findings.

## **Purpose of this Letter**

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

*McDonough CPA Solutions, PA*

September 14, 2020  
Melbourne, Florida

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

For the year ended June 30, 2020 and 2019, there were no findings, recommendations or other matters.