

**ST. CLOUD PREPARATORY  
ACADEMY, INC.**

**Basic Combined Financial  
Statements and  
Supplemental Information**

**Year Ended  
June 30, 2021**

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC COMBINED FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Assets and Liabilities – Agency Fund	15
Notes to Financial Statements	16-29
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	31
Notes to Required Supplemental Information	32
SUPPLEMENTAL INFORMATION	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	34-35
MANAGEMENT LETTER	36-37
MANAGEMENT FINDINGS, RECOMMENDATIONS, AND REPONSES	38



### ***Partners***

W. Ed Moss, Jr.  
Joe M. Krusick  
Cori G. Cameron  
Bob P. Marchewka  
Ric Perez  
Thomas F. Regan  
Ernie R. Janvrin  
Richard F. Hayes  
Renee C. Varga  
Shawn M. Marshall

Winter Park, FL 32789  
501 S. New York Ave.  
Suite 100  
Phone: 407-644-5811  
www.mossskrusick.com

N. Palm Beach, FL 33408  
631 US Highway One  
Suite 405  
Phone: 561-848-9300

Miami Lakes, FL 33016  
7900 NW 155<sup>th</sup> Street  
Suite 201  
Phone: 305-445-7956

American Institute of  
Certified Public  
Accountants

Florida Institute of  
Certified Public  
Accountants

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
St. Cloud Preparatory Academy, Inc.  
St. Cloud, Florida

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

We have audited the accompanying combined financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Cloud Preparatory Academy, Inc. and St. Cloud Preparatory Academy, LP (collectively the "School"), which are component units of the School District of Osceola County, Florida, as of and for the year ended June 30, 2021 and the related notes to the combined financial statements, which collectively comprise the School's basic combined financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined 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, 2021, and the respective changes in combined financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 31-32 be presented to supplement the basic combined financial statements. Such information, although not a part of the basic combined 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 combined 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 combined financial statements, and other knowledge we obtained during our audit of the basic combined 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 20, 2021, 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.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
September 20, 2021

## Management's Discussion and Analysis

As management of St. Cloud Preparatory Academy, Inc. and St. Cloud Preparatory Academy, LP (collectively the "School"), which are components of the School District of Osceola County, Florida, we offer readers of the School's combined financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's combined financial activities, (c) identify changes in the School's combined financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the Basic Combined Financial Statements found starting on page 9.

### Financial Highlights

- The liabilities of the school exceeded its assets at the close of the most recent fiscal year by \$395,639.
- The school's total net position decreased by \$452,995 during the year.
- As of the close of the current fiscal year, the School's governmental fund reported combined ending fund balance of \$454,947, an increase of \$561,079 in comparison with the prior year.
- During the current fiscal year, the School secured a second loan of \$492,000 under the Paycheck Protection Program ("PPP") established by the Coronavirus Aid Relief, and Economic Security Act ("CARES Act").

### Overview of the Combined Financial Statements

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

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

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

The statement of activities presents information showing how the School's net position changed during the 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.

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 fiscal services 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 School District of Osceola County, Florida which includes the operations of the School in their operational results.

The government-wide financial statements can be found on pages 9 - 10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The School adopts an annual appropriated budget for its operations. Budgetary comparison statements with required notes have been provided to demonstrate compliance with this budget and can be found on pages 31 through 32 of this report.

The basic governmental fund financial statements can be found on pages 11 - 14 of this report.

**Agency Fund.** In addition, the School has one agency fund in which is a student activity fund. This fund is formed for educational and school purposes. The agency fund financial statement can be found on page 15 of this report. The assets and liabilities of this fund are not included in the government-wide statement of net position.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 16 of this report.

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, liabilities exceeded assets by \$395,639 at June 30, 2021, compared to June 30, 2020 when assets exceeded liabilities by \$57,356.

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

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

The School's net position were as follows:

<b>Governmental Activities</b>			
	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>Variance</b>
<b>ASSETS</b>			
Current assets	\$ 716,034	\$ 906,528	\$ (190,494)
Capital assets - net of accumulated depreciation	11,142,439	11,453,630	(311,191)
Note receivable	2,000,000	2,000,000	-
Total assets	<u>13,858,473</u>	<u>14,360,158</u>	<u>(501,685)</u>
<b>LIABILITIES</b>			
Current liabilities	261,087	1,012,660	(751,573)
Non-current liabilities	13,993,025	13,290,142	702,883
Total liabilities	<u>14,254,112</u>	<u>14,302,802</u>	<u>(48,690)</u>
<b>NET POSITION</b>			
Investment in capital assets	(1,714,343)	(1,249,769)	(464,574)
Unrestricted	<u>1,318,704</u>	<u>1,307,125</u>	<u>11,579</u>
Net position	<u>\$ (395,639)</u>	<u>\$ 57,356</u>	<u>\$ (452,995)</u>

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

<b>Governmental Activities</b>			
	<b>2021</b>	<b>2020</b>	<b>Variance</b>
Revenues:			
Program revenues:			
Federal passed through local school district	\$ 48,186	\$ 287,770	\$ (239,584)
Federal passed through state	34,649	-	34,649
State passed through local school district	3,810,861	3,676,967	133,894
Debt forgiveness	478,174	-	478,174
Other income	221,443	291,833	(70,390)
Total revenue	<u>4,593,313</u>	<u>4,256,570</u>	<u>336,743</u>
Expenses:			
Basic instruction	2,180,890	2,345,094	(164,204)
Instructional support	52,786	63,914	(11,128)
Classroom costs	32,076	3,432	28,644
Board expenses	129,104	38,053	91,051
General administration	200,109	131,441	68,668
School administration	695,437	656,683	38,754
Fiscal services	40,953	137,601	(96,648)
Food services	20,390	64,439	(44,049)
Central services	26	294	(268)
Transportation	-	10,325	(10,325)
Operation of plant	1,413,903	1,682,238	(268,335)
Maintenance of plant	102,218	30,425	71,793
Administrative technology	18,703	9,038	9,665
Community service	159,713	172,454	(12,741)
Total expenses	<u>5,046,308</u>	<u>5,345,431</u>	<u>(299,123)</u>
Change in net position	<u>(452,995)</u>	<u>(1,088,861)</u>	<u>635,866</u>
Net position - beginning	<u>57,356</u>	<u>1,146,217</u>	<u>(1,088,861)</u>
Net position (deficit) - ending	<u>\$ (395,639)</u>	<u>\$ 57,356</u>	<u>\$ (452,995)</u>

The increase in revenue is primarily due to forgiveness of AEP debt and an emergency order funding adjustment of approximately \$339,000. The decrease in overall expenses is primarily related to a decrease in the fiscal services related to prior year bond deposit expense, a decrease in food services and instructional salaries due to COVID, and a decrease in operation of plant for the reduced lease payments. Student FTE was approximately 501 for 2021 compared to 536 for 2020.

**Governmental activities.** Governmental activities decreased the School's net position by \$452,995 for the year ended June 30, 2021. Governmental activities decreased the School's net position by \$1,088,861 for the year ended June 30, 2020.



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

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

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

The general fund is the chief operating fund of the school. At the end of the current fiscal year, the unassigned fund balance was \$428,647 in the general fund.

The fund balance of the School's general fund increased by \$561,079 during the current fiscal year ended June 30, 2021.

## **Capital Asset and Debt Administration**

**Capital Assets.** The School's investment in capital assets net of related debt for its governmental activities as of June 30, 2021 amounts to (\$1,714,343). This investment in capital assets includes furniture, fixtures, equipment, and capital lease asset totaling \$12,960,585 less accumulated depreciation of (\$1,818,146) and capital lease obligation of (\$12,856,782). Additional information on the school's capital assets and capital lease asset and obligation, can be found in Notes C and F.

**Debt Administration.** The School received an additional \$492,000 of PPP funds during the fiscal year June 30, 2021. The original PPP funds of \$472,400 received in fiscal 2020 are in process of being forgiven. More detailed information about the School's long-term liabilities is presented in Note E to the financial statements.

## **General Fund Budgetary Highlights**

The school's budget is prepared in conformity with accounting principles generally accepted in the United States of America and according to Florida Law. During the school year, the School's Board of Directors revised the budget to adjust for changes in revenues or expenditures. This happened following the FTE counts done in October and February. A statement showing the school's original and final budget compared with actual operating results is presented in the required supplemental information on page 31 to 32.

Revenues and expenditures equaled the budget for the year ended June 30, 2021 as the budget was subsequently revised to equal actual results. Regarding the original budget, favorable variances occurred in revenues primarily due to AEP debt forgiveness and in expenses primarily due to decreases in basic instruction and operation of plant expenses resulting from COVID and reduced lease expenses.

## **Economic Factors and Next Year's Budget**

Amounts available for appropriation in the general fund are approximately \$4 million, a decrease of approximately \$60,000 over the actual 2021 amount. The change is due to a decrease in the capital outlay funds that were expected to be received.

Budgeted expenditures in the general fund are approximately \$4.8 million, an increase of \$245,000 over the actual 2021 amount.

If these estimates are realized, the School's general fund balance is expected to increase for the fiscal year ending June 30, 2022.

### **Request for Information**

This financial report is designed to provide a general overview of St. Cloud Preparatory Academy, Inc.'s finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to St. Cloud Preparatory Academy, Inc., 3131 Progress Lane, St. Cloud, FL 34772.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**STATEMENT OF NET POSITION**

**June 30, 2021**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 649,544
Accounts receivable	40,190
Deposits	<u>26,300</u>
Total current assets	716,034
Note receivable	2,000,000
Capital assets, net of accumulated depreciation	<u>11,142,439</u>
Total assets	<u>13,858,473</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Accrued payroll	91,191
Accounts payable	<u>169,896</u>
Total current liabilities	261,087
<b>NONCURRENT LIABILITIES</b>	
Long-term debt	
Due within one year	187,600
Due in more than one year	<u>13,805,425</u>
Total liabilities	<u>14,254,112</u>
<b>NET POSITION</b>	
Investment in capital assets, net of related debt	(1,714,343)
Unrestricted	<u>1,318,704</u>
Total net position	<u><u>\$ (395,639)</u></u>

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

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Basic instruction	\$ 2,180,890	\$ -	\$ -	\$ -	\$ (2,180,890)
Instructional support	52,786	-	-	-	(52,786)
Classroom costs	32,076	-	-	-	(32,076)
Board expenses	129,104	-	-	-	(129,104)
General administration	200,109	-	-	-	(200,109)
School administration	695,437	-	-	-	(695,437)
Fiscal services	40,953	-	-	-	(40,953)
Food services	20,390	34,649	-	-	14,259
Central services	26	-	-	-	(26)
Operation of plant	1,413,903	-	-	48,186	(1,365,717)
Maintenance of plant	102,218	-	-	-	(102,218)
Administrative tech	18,703	-	-	-	(18,703)
Community service	159,713	-	-	-	(159,713)
Total governmental activities	<u>\$ 5,046,308</u>	<u>\$ 34,649</u>	<u>\$ -</u>	<u>\$ 48,186</u>	<u>(4,963,473)</u>
General revenues:					
State passed through local school district					3,810,861
Debt forgiveness					478,174
Other income					221,443
Total general revenues					<u>4,510,478</u>
Change in net position					(452,995)
Net position at July 1, 2020					57,356
Net position at June 30, 2021					<u>\$ (395,639)</u>

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

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2021**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 649,544	\$ -	\$ 649,544
Accounts receivable	40,190	-	40,190
Deposits	26,300	-	26,300
Total assets	<u>\$ 716,034</u>	<u>\$ -</u>	<u>\$ 716,034</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accrued payroll	\$ 91,191	\$ -	\$ 91,191
Accounts payable	169,896	-	169,896
Total liabilities	<u>261,087</u>	<u>-</u>	<u>261,087</u>
<b>FUND BALANCES</b>			
Nonspendable			
Deposits	26,300	-	26,300
Unassigned	428,647	-	428,647
Total fund balances	<u>454,947</u>	<u>-</u>	<u>454,947</u>
Total liabilities and fund balances	<u>\$ 716,034</u>	<u>\$ -</u>	<u>\$ 716,034</u>

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

**ST. CLOUD PREPARATORY ACADEMY, INC.**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**

**June 30, 2021**

Fund balances - total governmental funds	\$	454,947
--	----	---------

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

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

Furniture, fixtures, and equipment, net of \$98,415 accumulated depreciation	\$ 82,805		
Computer software, net of \$8,500 accumulated depreciation		-	
Computer equipment, net of \$99,531 accumulated depreciation		-	
Capital lease asset, net of \$1,611,700 accumulated depreciation	11,059,634		11,142,439

Long-term note receivable not due or receivable in the current period and, therefore, not reported in the general fund		2,000,000
--	--	-----------

Long-term debt are not due and payable in the current period and, therefore, not reported in the general fund		(13,993,025)
---	--	--------------

Total net position of governmental activities	\$	(395,639)
---	----	-----------

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

**ST. CLOUD PREPARATORY ACADEMY, INC.**

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

**Year Ended June 30, 2021**

	General Fund	Capital Outlay Fund	Total Governmental Funds
Revenues			
Federal passed through state	\$ 34,649	\$ -	\$ 34,649
State passed through local school district	3,810,861	48,186	3,859,047
Debt forgiveness	478,174	-	478,174
Other income	221,443	-	221,443
Total revenues	<u>4,545,127</u>	<u>48,186</u>	<u>4,593,313</u>
Expenditures			
Current:			
Basic instruction	2,180,890	-	2,180,890
Instructional support	52,786	-	52,786
Classroom costs	32,076	-	32,076
Board expenses	129,104	-	129,104
General administration	200,109	-	200,109
School administration	359,825	-	359,825
Fiscal services	40,953	-	40,953
Food services	20,390	-	20,390
Central services	26	-	26
Operation of plant	1,212,334	48,186	1,260,520
Maintenance of plant	102,218	-	102,218
Administrative tech	18,703	-	18,703
Capital outlay	24,421	-	24,421
Community service	159,713	-	159,713
Debt service:			
Principal	12,500	-	12,500
Total expenditures	<u>4,546,048</u>	<u>48,186</u>	<u>4,594,234</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(921)</u>	<u>-</u>	<u>(921)</u>
Other financing sources:			
Loan proceeds	562,000	-	562,000
Total other financing sources	<u>562,000</u>	<u>-</u>	<u>562,000</u>
Net change in fund balances	561,079	-	561,079
Fund balances at July 1, 2020	<u>(106,132)</u>	<u>-</u>	<u>(106,132)</u>
Fund balances at June 30, 2021	<u>\$ 454,947</u>	<u>\$ -</u>	<u>\$ 454,947</u>

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

**ST. CLOUD PREPARATORY ACADEMY, INC.**

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

**Year Ended June 30, 2021**

Net change in fund balances - total government funds \$ 561,079

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

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

Total fixed capital outlay	\$ 24,421	
Depreciation	<u>(335,612)</u>	
Total capital assets		(311,191)

The issuance of long-term debt provides current financial  
resources to governmental funds, while the repayment of  
the principal of long-term debt consumes current financial  
resources of governmental funds. Neither transaction,  
however, has any effect on net position. Also, governmental  
funds report the effect of issuance costs, premiums, discounts,  
and similar items when the debt is first issued, whereas these  
amounts are deferred and amortized in the statement of activities.

Proceeds from long-term debt	(562,000)
Accretion of capital lease obligation	(153,383)
Principal payment on long-term debt	<u>12,500</u>

Change in net position of governmental activities \$ (452,995)

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



**ST. CLOUD PREPARATORY ACADEMY, INC.**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND**

**June 30, 2021**

		<u>Internal Fund</u>
	<b><i>ASSETS</i></b>	
Cash		<u>\$ 4,534</u>
Total assets		<u><u>\$ 4,534</u></u>
	<b><i>LIABILITIES</i></b>	
Due to students		<u>\$ 4,534</u>
Total liabilities		<u><u>\$ 4,534</u></u>

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

# **ST. CLOUD PREPARATORY ACADEMY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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

#### **1. Reporting entity**

St. Cloud Preparatory Academy, Inc. (the "School") is a not-for-profit corporation that operates an elementary school in St. Cloud, Florida, which is a component unit of the School District of Osceola County, Florida (the "District"). The Corporation was organized in December 2013 pursuant to Chapter 617, Florida Statutes, Florida Not-For-Profit Corporation Act. The governing body of the School is a not-for-profit corporation Board of Directors 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 board, the School District of Osceola County (the "School District"). The original charter was effective until June 30, 2020, and was renewed on March 3, 2020 by mutual agreement between the School and the School District, and extended three additional years to June 30, 2023 .

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are described in GASB Statement No. 14, as amended by GASB Statement No. 39 and No. 61. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are required to be included within the reporting entity of the School.

The financial statements of St. Cloud Preparatory Academy, LP ("LP") are combined with the statements of St. Cloud Preparatory Academy, Inc. ("Inc."), which has a controlling interest in LP. LP and Inc. are collectively referred to as the School. The operations of LP are so intertwined with those of Inc. and to not combine the financial statements of the two entities would be misleading. LP was involved in the initial financing of Inc. through EB-5 financing and records payroll and revenue of Inc in its books to comply with EB-5 requirements. In addition, LP has a note receivable from the developer for \$2,000,000, which is recorded in the accompanying combined financial statements. The note has a due date which has been extended indefinitely and carries an interest rate of 6% plus a service fee rate of .34% both of which are paid monthly by the developer directly to the special partner of the LP and are not recorded in the financial statements of LP.

#### **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

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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

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

eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business-type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets; restricted net assets; and unrestricted net assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation. As of June 30, 2021, there was not any net position classified as restricted in the statement of net position.

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. 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 to be a 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

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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

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

the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grantresources, revenue is recognized at the time the expenditure is made. 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 is recorded as expenditures only when payment is due.

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

The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

**Nonspendable:** This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.

**Restricted:** This classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.

**Committed:** This classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.

**Assigned:** This classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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

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

classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.

Unassigned: This classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the general fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 11.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

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

Capital Outlay Fund - in accordance with guidelines established by The School District of Osceola County, Florida, this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

Additionally, the School reports the following fiduciary fund type:

Agency Fund – to account for resources of the School's internal funds which are used to administer money collected in connection with school, student, athletic, class, and club activities.

4. Cash

The School's cash consists of demand deposits with a financial institution which are insured by the Federal depository insurance.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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

**5. Capital assets**

Capital assets 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 \$275. Such assets are recorded at historical cost. Donated capital assets are recorded at their acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture, fixtures and equipment	5
Computer equipment and software	3
Capital lease asset	40

**5. Prepaid items**

Payment made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items in both the government-wide and fund financial statements.

**6. Revenue recognition**

Student funding is provided by the State of Florida through the School District. Such funding is recorded as State passed through local school district in the government-wide financial statements and fund financial statements and is net of the 5% administration fee retained by the School District. This funding is received on a prorate basis over the twelve month period and is adjusted for changes in full-time equivalent (FTE) student population.

**7. Revenue sources**

Revenues for current operations are received primarily from the State of Florida passed through the District to the School 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 (FLDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FLDOE under the Florida Education Finance Program and actual

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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

**8. Revenue sources (continued)**

weighted FTE students reported by the School during designated FTE student survey periods.

The School receives 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 requirements whereby the issuance of grant funds is withheld until qualifying 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.

**9. Use of estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States 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 estimated amounts.

**10. Income taxes**

St. Cloud Preparatory Academy, Inc. is a charter school, which qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Management has analyzed the School's various federal and state filing positions, including those pertaining to charter academy contracts and tax exempt status, and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The School remains subject to the examination by the Internal Revenue Service for the prior three years through June 30, 2021.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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

**11. New GASB implementation**

The GASB issued Statement 84, Fiduciary Activities effective for fiscal 2021, which establishes criteria for the identification of fiduciary activities and provides guidance on reporting those activities. An activity meeting the criteria should be reported in a fiduciary fund. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The new GASB did not have an impact on the financial statements as the School did not have any funds which met the criteria.

**12. New GASB pronouncement**

The GASB issued Statement No. 87, *Leases*, which establishes new guidance for lease accounting for lessees and lessors and eliminates the classification of leases into operating or capital leases. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Lessees will recognize a lease liability and an intangible right to use lease asset. Lessors will recognize a lease receivable and a deferred inflow of resources. The new guidance is effective for fiscal 2022.

The School is evaluating the effect of these new standard on its 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 School maintains its cash balances in a financial institution insured by the Federal Deposit Insurance Corporation ("FDIC"). Under the FDIC program, all of the School's cash balances maintained in accounts at the financial institution are fully guaranteed by the FDIC up to \$250,000.

At June 30, 2021, the school's cash balance exceeded FDIC coverage by \$362,544. The School has no history of loss due to exceeding coverage limitations.



**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE C - CAPITAL ASSETS**

Changes in capital assets were as follows for the year ended June 30, 2021:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets:				
Furniture and equipment	\$ 156,799	\$ 24,421	\$ -	\$ 181,220
Computer software	8,500	-	-	8,500
Computer equipment	99,531	-	-	99,531
Capital lease asset	12,671,334	-	-	12,671,334
Total assets depreciated	12,936,164	\$ 24,421	\$ -	12,960,585
Less accumulated depreciation:				
Furniture and equipment	83,385	\$ 15,030	\$ -	98,415
Computer software	8,500	-	-	8,500
Computer equipment	95,732	3,799	-	99,531
Capital lease asset	1,294,917	316,783	-	1,611,700
Total accumulated depreciation	1,482,534	\$ 335,612	\$ -	1,818,146
Total governmental activities capital assets, net	<u>\$11,453,630</u>			<u>\$11,142,439</u>

Depreciation expense in the amount of \$335,612 was charged to school administration for the year ended June 30, 2021.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE D - CONCENTRATIONS**

Revenue sources

As stated in Note A-7, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Source	Amount
School Board of Osceola County	
Base funding	\$ 2,249,598
ESE guaranteed allocation	62,228
Supplemental academic instruction	110,007
Class size reduction	544,318
Discretionary local effort (WFTE)	169,865
Discretionary millage	124,559
Classroom supply assistance allocation	12,276
Summer reading allocation	21,249
Instructional materials	37,855
Emergency Order Funding Adjustment	339,942
Advanced placement	684
Teacher Salary Increase Allocation	89,071
Digital classrooms allocation	852
Safe schools allocation	27,379
Proration to funds available	(10,333)
Compression allocation	27,021
Prior year audit adjustment	(3,279)
Subtotal	3,803,292
Capital outlay	48,186
National School Lunch Program	34,649
Safety and security grant	3,852
E-rate revenue	3,717
Total passed through the School District of Osceola County	3,893,696
Other revenue:	
Debt forgiveness	478,174
Other income	221,443
	<u>\$ 4,593,313</u>

The administration fee paid to the District during the year ended June 30, 2021 totaled approximately \$86,425 and is reflected as a general administration expense/expenditure in the accompanying financial statements.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE E - NOTES PAYABLE**

Long-term notes payable at June 30, 2021 consists of the following:

Note payable, Banyan OSC, LLC., payable when surplus cash is achieved, including interest at 4.75%, maturing July 2017.	\$ 114,343
Note payable, Southcrest Management, LLC., payable in an initial payment of \$10,000 and subsequent monthly payments of \$2,500, including no interest, maturing June 2023	<u>57,500</u>
	114,343
Less: current portion	<u>(144,343)</u>
Total long-term notes payable	<u>\$ 27,500</u>

The notes payable amounts are categorized as current because they are deemed payable in the upcoming year based on the additional revenues projected from increased number of students. Payment of the notes is subject to priority payment levels described in Note F. The note to Banyan OSC, LLC (Banyan) is level four priorities. The total amount of the Banyan note is in dispute with Banyan, and was reported in the financial statements at the 2017 amount of \$133,185 less payments made in fiscal 2017 of \$18,843. No payments were made since the fiscal 2017.

On May 7, 2021, the School entered into a settlement agreement with Southcrest Management LLC., in the amount of \$70,000 for expenses which had been incurred by Southcrest Management LLC., in relation to the Letter of Intent to develop and construct the high school. The initial payment on the note was due upon the settlement agreement execution in the amount of \$10,000, followed by monthly payments of \$2,500 until the note matures on June 1, 2023. The note has a 0% interest rate and upon any default of a payment, Southcrest Management is entitled to the original amount demanded from the School of \$175,757.

# ST. CLOUD PREPARATORY ACADEMY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE E - NOTES PAYABLE (continued)

On March 27, 2020, the Coronavirus Aid Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 outbreak. Under the CARES Act, the Paycheck Protection Program ("PPP") was established to provide assistance to small businesses with resources needed to maintain payroll and cover applicable overhead. On April 9, 2021, the School, through a financial institution, was approved for and received a second loan in the amount of \$492,000 under this program. Management is seeking forgiveness of the loans. As of the date of the financials, the forgiveness process is not complete for either loan. The unforgiven portion of the loans is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

The following is a summary of changes in the PPP loan payable for the year ended June 30, 2021:

Balance outstanding at the beginning of the year	\$ 472,400
Addition	492,000
Reduction	-
Balance outstanding at the end of the year	<u>\$ 964,000</u>

Future debt service related to the Banyan note, Southcrest note, and PPP notes are as follows as of June 30, 2020:

	Banyan	Southcrest	PPP Loans	Total
2022	\$ 114,343	\$ 30,000	\$ -	\$ 144,343
2023	-	27,500	964,400	991,900
	<u>\$ 114,343</u>	<u>\$ 57,500</u>	<u>\$ 964,400</u>	<u>\$ 1,136,243</u>

The following is a summary of the changes in long-term liabilities:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Amount Due In 1 Year
Banyan Loan	\$ 114,343	\$ -	\$ -	\$ 114,343	\$ 114,343
PPP Loans	472,400	492,000	-	964,400	-
Capital Lease (See Note F)	12,703,399	153,383	-	12,856,782	43,257
Southcrest Management	-	70,000	12,500	57,500	30,000
Total long term debt	<u>\$ 13,290,142</u>	<u>\$ 715,383</u>	<u>\$ 12,500</u>	<u>\$ 13,993,025</u>	<u>\$ 187,600</u>

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE F - COMMITMENTS**

**1. *Capital lease***

The School leases its facilities under an amended lease agreement with Osceola Charter Holdings, LLC ("OCH") dated March 1, 2019. The original lease was dated December 21, 2013. The lease requires monthly payments of \$92,000, \$103,333, and \$112,500 following each consecutive fiscal year after June 30, 2019 and annual increases of 2.5% for all future payments. On The lease ends on September 2039 and may be extended for four additional terms of five years each. The School is also responsible for all sales and real estate taxes, insurance, and utilities related to the facilities. On November 5, 2020, the School entered into a settlement agreement with AEP Charter St. Cloud, LLC. ("AEP"), for the outstanding rent, which had not been paid. The settlement required the School to pay on November 5, 2020 \$600,000 and the monthly rent payment of \$70,000 for the remainder of the year, and on June 30, 2021, the rent payments would return to the \$112,500 monthly amount for the 2021-2022 fiscal year. The School recognized debt forgiveness of \$478,174 as a result of the settlement. Rent expense charged to operations for fiscal 2021 totaled \$965,774.

On July 14, 2016, the School's lease agreement with OCH dated June 22, 2015 was amended and restated. This amendment titled Addendum To Amended and Restated Lease #1 ("Lease Addendum"), provides for Phase 2 and Phase 3 improvements to the School's property. Phase 2 consisted of the building of a 4th permanent modular structure to supplement the current three permanent modular buildings. The total estimated development cost for Phase 2 was \$250,000. Phase 3 consisted of the construction of a K-5 building with a minimum of 20,000 square feet for a total estimated cost of \$5.5 million. The annual rent based on an amendment dated March 1, 2019 will be \$1,186,664, and with annual increases 1.96%, with payments commencing in March 2019. The Lease Addendum includes a purchase option whereby the School can purchase the leased property for \$10 million plus the total development costs of Phases 2 and 3 which in total is approximately \$15,780,000. The expiration of the Lease Addendum is in fiscal 2040.

The original lease and amendments meets the criteria for recognition as a capital lease under GASB 62. Accordingly, the School recorded a capital lease asset for \$12,671,334 and a corresponding capital lease obligation for \$12,856,782, which represented the 2014 cost of the land, buildings, improvements, and Phase II and Phase III costs and improvements. The implicit interest rate on the lease is 10.179%. The lease payments are subject to priority payment levels discussed in Note F-3. Scheduled maturities of the lease are as follows:

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE F - COMMITMENTS (continued)**

*1. Capital lease (continued)*

	Minimum Lease Payments	Less: Interest	Principal Payments
2022	\$ 1,350,000	\$ 1,306,743	\$ 43,257
2023	1,377,000	1,300,832	76,168
2024	1,404,540	1,291,385	113,155
2025	1,432,632	1,277,965	154,667
2026	1,461,288	1,260,090	201,198
2027-2031	7,756,668	5,835,441	1,921,227
2032-2036	8,563,992	4,332,041	4,231,951
2037-2040	7,488,638	1,373,479	6,115,159
	<u>\$ 30,834,758</u>	<u>\$ 17,977,976</u>	<u>\$ 12,856,782</u>

As of June 30, 2021, the School has a payable to AEP for \$140,000 for lease payments.

*2. Management service agreement*

The School had a support services agreement with Banyan OSC, LLC ("Banyan") dated December 19, 2013 (amended July 1, 2015) to provide certain non-academic services to the School consisting principally of administrative duties and responsibilities. The agreement was terminated in October 2015. No management fees were charged to operations in fiscal 2021. The remaining note outstanding to Banyan of \$114,343 at June 30, 2021 is subject to the priority payment levels discussed in Note F-3.

On September 11, 2020, the School revised its support services agreement with Building Hope Services ("Building Hope") dated December 1, 2019 to provide certain non-academic services to the School consisting principally of administrative duties and responsibilities. Management fees of \$24,033 were charged to operations in fiscal 2021.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE F - COMMITMENTS (continued)**

**3. *Debt payment priorities***

An August 13, 2015 corrective action plan was developed between the School and the District and within the agreement there is a priority of creditors. The priority of payout to the different creditors will occur when the School has surplus cash flow. The different levels of priorities are as follows:

1. Level 1: payroll, payroll taxes, employee benefits, utilities, lease payments and other operating expenditures that directly affect the well-being of the students.
2. Level 2: all short term bridge loans that enabled the School to remain open after funding was suspended.
3. Level 3: operating expenditures with key vendors as set forth in a restructuring agreement with Banyan.
4. Level 4: all deferred debt owed to OCH and Banyan.

**4. *Legal issues***

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**NOTE G – RISK AND UNCERTAINTIES**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation.

**NOTE H - SUBSEQUENT EVENTS**

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 20, 2021 which is the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTAL INFORMATION**



**ST. CLOUD PREPARATORY ACADEMY, INC.**

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

**Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Federal passed through local school district	\$ -	\$ 34,649	\$ 34,649	\$ -
State passed through local school district	3,796,694	3,810,861	3,810,861	\$ -
Debt forgiveness	-	478,174	478,174	-
Other income	210,000	221,443	221,443	-
Total revenues	4,006,694	4,545,127	4,545,127	-
<b>Expenditures</b>				
Current:				
Basic instruction	2,358,607	2,180,890	2,180,890	-
Instructional support	59,449	52,786	52,786	-
Classroom costs	9,550	32,076	32,076	-
Board expenses	31,575	129,104	129,104	-
General administration	63,892	200,109	200,109	-
School administration	244,734	359,825	359,825	-
Fiscal services	139,590	40,953	40,953	-
Food services	50,000	20,390	20,390	-
Central services	600	26	26	-
Transportation	6,800	-	-	-
Operation of plant	1,669,355	1,212,334	1,212,334	-
Maintenance of plant	39,550	102,218	102,218	-
Administrative technology	7,806	18,703	18,703	-
Community service	108,894	159,713	159,713	-
Capital outlay	-	24,421	24,421	-
Debt service:				
Principal	-	12,500	12,500	-
Total expenditures	4,790,402	4,546,048	4,546,048	-
Excess (deficiency) of revenues over (under) expenditures	(783,708)	(921)	(921)	-
Other financing sources:				
Loan proceeds	-	562,000	562,000	-
Total other financing sources	-	562,000	562,000	-
Net change in fund balances	(783,708)	561,079	561,079	-
Fund balances at July 1, 2020	(106,132)	(106,132)	(106,132)	-
Fund balances at June 30, 2021	\$ (889,840)	\$ 454,947	\$ 454,947	\$ -

See note to required supplemental information.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**June 30, 2021**

**NOTE A - BUDGETARY INFORMATION**

Budgetary basis of accounting

Annual budgets are adopted for the entire operations and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2021, have been amended according to Board procedures. Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major special revenue fund for which a legally adopted budget exists.

## **SUPPLEMENTAL INFORMATION**



**Partners**

W. Ed Moss, Jr.  
Joe M. Krusick  
Cori G. Cameron  
Bob P. Marchewka  
Ric Perez  
Thomas F. Regan  
Ernie R. Janvrin  
Richard F. Hayes  
Renee C. Varga  
Shawn M. Marshall

Winter Park, FL 32789  
501 S. New York Ave.  
Suite 100  
Phone: 407-644-5811  
[www.mosskrusick.com](http://www.mosskrusick.com)

N. Palm Beach, FL 33408  
631 US Highway One  
Suite 405  
Phone: 561-848-9300

Miami Lakes, FL 33016  
7900 NW 155<sup>th</sup> Street  
Suite 201  
Phone: 305-445-7956

American Institute of  
Certified Public  
Accountants

Florida Institute of  
Certified Public  
Accountants

**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  
St. Cloud Preparatory Academy, Inc.  
St. Cloud, 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 combined financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Cloud Preparatory Academy, Inc. and St. Cloud Preparatory Academy, LP (collectively the "School"), which are component units of the School District of Osceola County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's combined basic financial statements, and have issued our report thereon dated September 20, 2021.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
September 20, 2021



### **Partners**

W. Ed Moss, Jr.  
Joe M. Krusick  
Cori G. Cameron  
Bob P. Marchewka  
Ric Perez  
Thomas F. Regan  
Ernie R. Janvrin  
Richard F. Hayes  
Renee C. Varga  
Shawn M. Marshall

Winter Park, FL 32789  
501 S. New York Ave.  
Suite 100  
Phone: 407-644-5811  
[www.mosskrusick.com](http://www.mosskrusick.com)

N. Palm Beach, FL 33408  
631 US Highway One  
Suite 405  
Phone: 561-848-9300

Miami Lakes, FL 33016  
7900 NW 155<sup>th</sup> Street  
Suite 201  
Phone: 305-445-7956

American Institute of  
Certified Public  
Accountants

Florida Institute of  
Certified Public  
Accountants

## **MANAGEMENT LETTER**

To the Board of Directors  
St. Cloud Preparatory Academy, Inc.  
St. Cloud, Florida

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

We have audited the combined financial statements of St. Cloud Preparatory Academy, Inc. and St. Cloud Preparatory Academy, LP (collectively the "School"), as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 20, 2021.

### **Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to combined 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 Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in the report, which is dated September 20, 2021, 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. Corrective actions have been taken to address findings made in the preceding annual financial audit report.

### **Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of Education of the entity are *St. Cloud Preparatory Academy, Inc. (0162)*.

### **Financial Condition and Management**

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions 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 review of financial information provided by the same

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

### **Transparency**

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

### **Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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 which 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 Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, The Florida Auditor General, Federal and other granting agencies, St. Cloud Preparatory Academy's management, the School District of Osceola County, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
September 20, 2021

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

For the year ended June 30, 2021, there were no management recommendations.