

VICTORY CHARTER SCHOOL K-5, INC.

KISSIMMEE, FLORIDA
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE
OSCEOLA COUNTY SCHOOL BOARD)

BASIC FINANCIAL STATEMENTS, INDEPENDENT
AUDITOR'S REPORT AND SUPPLEMENTAL
INFORMATION

FOR THE YEAR ENDED JUNE 30, 2021

VICTORY CHARTER SCHOOL K-5, INC.
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
JUNE 30, 2021

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VICTORY CHARTER SCHOOL K-5, INC.
(A CHARTER SCHOOL AND COMPONENT UNIT OF THE OSCEOLA COUNTY SCHOOL BOARD)

2880 N Orange Blossom Trail
Kissimmee, FL 34741
(321) 697-3800

2020-2021

BOARD OF DIRECTORS

Dr. Elaine Perez, BSN, RN, Board Chair
Ms. Erika Gonzalez
Mr. Antonio Cejas
Mr. Nabin Timilsina
Ms. Karilyn Bacallao

Ms. Veronica Mele – Parent Contact

SCHOOL ADMINISTRATION

Mr. Guillermo Moreno, Principal



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Victory Charter School K-5, Inc.
Kissimmee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Victory Charter School K-5, Inc. (the "School"), a charter school and a component unit of the Osceola County District School Board, Osceola, 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 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, 2021, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and budgetary comparison information on pages 22 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 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.

Gutiérrez Madariaga, CPA P.A.

GUTIERREZ MADARIAGA, CPA P.A.

Coral Gables, Florida

September 13, 2021

Management's Discussion and Analysis

Victory Charter School K-5, Inc.

June 30, 2021

The corporate officers of Victory Charter School K-5, Inc. (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

1. The School had an increase in its net position of \$104,068 and had a positive ending net position of \$104,068 in its first year of operations.
2. At year-end, the School had current assets of \$91,437 and total assets of \$157,257.
3. The School's fund balance increased by \$38,248 in its first year of operations.

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 financial statements for the year ended June 30, 2021 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* 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. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event resulting in the change occurs, without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School, like other state and local governments, uses fund accounting to ensure and report compliance with finance-related legal requirements. All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government’s requirements for near-term financing.

Prior to the start of the School’s fiscal year, the Board of the School adopts an annual budget for all of its governmental funds, if applicable. A budgetary comparison statement has been provided for the School’s governmental funds to demonstrate compliance with the School’s budget. The basic governmental fund financial statements can be found on pages 11 – 14 of this report.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 15 – 21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of a school’s financial position. A summary of the School’s net position as of June 30, 2021 in its first year of operations are as follows:

Assets	<u>2021</u>
Cash and cash equivalents	\$ 65,888
Due from governmental agencies and accounts receivable	25,549
Capital assets, net	<u>65,820</u>
Total Assets	<u>\$ 157,257</u>
Liabilities and Net Position	
Accounts and wages payable and accrued liabilities	<u>\$ 53,189</u>
Total Liabilities	53,189
Invested in capital assets, net of related debt	65,820
Unrestricted	<u>38,248</u>
Total Net Position	<u>104,068</u>
Total Liabilities and Net Position	<u>\$ 157,257</u>

At June 30, 2021, the School’s total assets were \$157,257 and total liabilities were \$53,189. At June 30, 2021, the School reported a positive total net position of \$104,068 in its first year of operations.

A summary and analysis of the School's revenues and expenses for the School's first year of operations ended June 30, 2021 are as follows:

REVENUES	<u>2021</u>
Program Revenues	
Federal passed through local	\$ 142,039
Charges for services	829,180
General Revenues	
FEFP nonspecific revenues	2,088,443
Fundraising and other revenue	<u>2,089</u>
Total Revenues	<u><u>\$ 3,061,751</u></u>
EXPENSES	
Instructional services	\$ 1,074,108
Instructional support services	8,279
Instructional staff training services	4,585
Instruction-related technology	9,272
General administration	22,376
School administration	157,207
Facilities acquisition & construction	-
Food services	37
Central services	93,467
Board	32,809
Pupil transportation services	344,430
Operation of plant	973,975
Maintenance of plant	20,278
Administrative technology services	16,487
Fiscal services	<u>200,373</u>
Total Expenses	<u><u>\$ 2,957,683</u></u>
Change in Net Position	104,068
Net Position at Beginning of Year	<u>-</u>
Net Position at End of Year	<u><u>\$ 104,068</u></u>

The School's total revenues for the year ended June 30, 2021, its first year of operations, were \$3,061,751, while its total expenses were \$2,957,683 for a net increase of \$104,068. The School's enrollment was approximately 250 students during the school year. The School received Elementary and Secondary School Emergency Relief Funds (ESSER) of approximately \$55,000 and Title I funds of approximately \$86,000. With these funds, the School was able to purchase new equipment for the entire school including its faculty.

The School's opening stages have demonstrated that the local demand is once again rising and families are once again touring and planning for their incoming children for the 2021-2022 school year.

SCHOOL LOCATION

The School operates in the Kissimmee area located at 2880 N Orange Blossom Trail, Kissimmee, FL 34741.

CAPITAL IMPROVEMENT REQUIREMENT

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, 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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the School's governmental funds had a net change in fund balance of \$38,248 and reported a combined positive fund balance at year-end of \$38,248 in its first year of operations.

CAPITAL ASSETS

The School's investment in capital assets, as of June 30, 2021, amounts to \$65,820 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and equipment.

GOVERNMENTAL FUND BUDGET ANALYSIS

Prior to the start of the School's fiscal year, the Board of the School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 1,848,676	\$ 1,848,676	\$ 2,088,443
Federal passed through local	62,349	62,349	142,039
Charges for services and other income	1,138,480	1,138,480	831,269
TOTAL REVENUES	\$ 3,049,505	\$ 3,049,505	\$ 3,061,751
EXPENDITURES			
Instruction	\$ 1,080,942	\$ 1,080,942	\$ 1,074,108
Instructional support services	7,500	7,500	8,279
Instruction and curriculum development	-	-	4,585
Instruction-related technology	-	-	9,272
School board	26,000	26,000	32,809
General administrative	-	-	9,213
School administration	146,976	146,976	157,207
Other capital outlay	-	-	78,983
Food services	-	-	37
Pupil transportation services	359,100	359,100	344,430
Central services	82,790	82,790	93,467
Operation of plant	1,137,569	1,137,569	973,975
Maintenance of plant	12,700	12,700	20,278
Fiscal services	171,699	171,699	200,373
Administrative technology service	19,863	19,863	16,487
TOTAL EXPENDITURES	\$ 3,045,139	\$ 3,045,139	\$ 3,023,503
Net change in fund balance	4,366	4,366	38,248
Other financing sources	-	-	-
Net change in fund balance	\$ 4,366	\$ 4,366	\$ 38,248

The general and special revenue fund budgets for the year ending June 30, 2021, were developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Refer to the budgetary comparison schedules on pages 22-23 for additional information.

REQUESTS FOR INFORMATION

This financial report is intended to provide a general overview of the finances of the School. Requests for additional information may be addressed to Jeffrey Hernandez at the School's address.

VICTORY CHARTER SCHOOL K-5, INC.
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 65,888
Due from other agencies	<u>25,549</u>
TOTAL CURRENT ASSETS	91,437
CAPITAL ASSETS, NET	
Furniture and equipment	78,983
Less accumulated depreciation	<u>(13,163)</u>
Total capital assets, net	<u>65,820</u>
 TOTAL ASSETS	 <u><u>\$ 157,257</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 3,280
Accrued wages payable	<u>49,909</u>
TOTAL CURRENT LIABILITIES	53,189
 TOTAL LIABILITIES	 53,189
NET POSITION	
Net investment in capital assets	65,820
Unrestricted	<u>38,248</u>
TOTAL NET POSITION	<u>104,068</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 157,257</u></u>

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

VICTORY CHARTER SCHOOL K-5, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$1,074,108	\$ -	\$ 142,039	\$ -	\$ (932,069)
Instructional support services	8,279	-	-	-	(8,279)
Instruction and curriculum development	4,585	-	-	-	(4,585)
Instructional staff training services	9,272	-	-	-	(9,272)
General administrative	22,376	-	-	-	(22,376)
School administration	157,207	-	-	-	(157,207)
Fiscal services	200,373	-	-	-	(200,373)
Food services	37	-	-	-	(37)
Central services	93,467	-	-	-	(93,467)
Board	32,809	-	-	-	(32,809)
Pupil transportation services	344,430	253,180	-	-	(91,250)
Operation of plant	973,975	576,000	-	-	(397,975)
Maintenance of plant	20,278	-	-	-	(20,278)
Administrative technology services	16,487	-	-	-	(16,487)
Total Governmental Activities	\$2,957,683	\$ 829,180	\$ 142,039	\$ -	\$ (1,986,464)

GENERAL REVENUES:

Government grants not restricted to specific programs	2,088,443
Miscellaneous revenue	2,089
Total general revenues	<u>2,090,532</u>
Change in Net Position	104,068
NET POSITION - BEGINNING	<u>-</u>
NET POSITION - ENDING	<u>\$ 104,068</u>

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

VICTORY CHARTER SCHOOL K-5, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>Governmental Fund</u>
ASSETS	
Cash and cash equivalents	\$ 65,888
Due from other agencies	<u>25,549</u>
TOTAL ASSETS	<u><u>\$ 91,437</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 3,280
Accrued wages payable	<u>49,909</u>
TOTAL LIABILITIES	53,189
FUND BALANCE	
Unassigned	<u>38,248</u>
TOTAL FUND BALANCE	<u><u>38,248</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 91,437</u></u>

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

VICTORY CHARTER SCHOOL K-5, INC.
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT
OF NET POSTION
JUNE 30, 2021

Total Fund Balance - Governmental Funds	\$	38,248
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the fund.

Capital assets	78,983
Accumulated depreciation	(13,163)

Total Net Position - Governmental Activities	\$	<u>104,068</u>
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The accompanying notes are an integral part of this financial statement.

VICTORY CHARTER SCHOOL K-5, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Funds	Special Revenue Fund	Total Governmental Funds
REVENUES			
State passed through local	\$ 2,088,443	\$ -	\$ 2,088,443
Federal passed through local	-	142,039	142,039
Charges for services	829,180	-	829,180
Other income	2,089	-	2,089
TOTAL REVENUES	\$ 2,919,712	\$ 142,039	\$ 3,061,751
EXPENDITURES			
Current:			
Instruction	\$ 932,069	\$ 142,039	\$ 1,074,108
Instructional support services	8,279	-	8,279
Instruction and curriculum development	4,585	-	4,585
Instruction-related technology	9,272	-	9,272
General administrative	9,213	-	9,213
School administration	157,207	-	157,207
Fiscal services	200,373	-	200,373
Food services	37	-	37
Central services	93,467	-	93,467
Board	32,809	-	32,809
Pupil transportation services	344,430	-	344,430
Operation of plant	973,975	-	973,975
Maintenance of plant	20,278	-	20,278
Administrative technology services	16,487	-	16,487
Capital Outlay:			
Other capital outlay	78,983	-	78,983
TOTAL EXPENDITURES	\$ 2,881,464	\$ 142,039	\$ 3,023,503
Excess of revenues over expenditures	38,248	-	38,248
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ 38,248	\$ -	\$ 38,248

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

VICTORY CHARTER SCHOOL K-5, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Change in Fund Balance - Governmental Funds \$ 38,248

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

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

Capital outlays	78,983
Depreciation expense	(13,163)

Change in Net Position of Governmental Activities \$ 104,068

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

VICTORY CHARTER SCHOOL K-5, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – ORGANIZATION AND OPERATIONS

Reporting Entity

The Victory Charter School K-5, Inc. (the “School”) is a charter school and is a component unit of the District School Board of Osceola County, Florida (the “District”). The School’s charter is held by Victory Charter School K-5, Inc., 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 governing body of the School is the Board of Directors which is comprised of not less than 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, the District School Board of Osceola County, Florida. The current charter is effective until June 30, 2026. At the end of the term of the charter, the District Board may choose not to renew the charter under grounds specified in the charter, in which case the District Board is required to notify the School in writing at least 90 days prior to the School’s expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. The charter may be renewed annually by mutual agreement.

These financial statements are for the year ended June 30, 2021, when approximately 250 students were enrolled in grades Kindergarten through 5th grade.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits per State and Local Governments and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes under standards set by the Governmental Accounting Standards Board (“GASB”).

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information for the School as a whole. Both statements report only governmental activities as the School does not engage in any business type activities. These statements do not include fiduciary funds.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, (2) operating grants and contributions which finance annual operating activities, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds, namely, the general, special revenue and capital project funds are reported as separate columns in the fund financial statements:

VICTORY CHARTER SCHOOL K-5, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund – is the School’s primary operating fund. The General Fund accounts for all financial resources not accounted for and reported in another fund.

Special Revenue Fund – used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service and capital projects.

Capital Projects Fund – used to account for financial resources used for the acquisition or construction of major capital facilities and for the proceeds and related expenditures of charter school capital outlay funding.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 90 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay). Any revisions to the annual budget are approved by the Board.

Cash and Cash Equivalents

The School’s cash is considered to be cash on hand and demand deposits, with original maturities of three months or less.

Due from Other Agencies

Due from other agency consists of amounts due from other governmental units for revenues from federal, federal through state, state, or other sources.

VICTORY CHARTER SCHOOL K-5, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets, Depreciation and Amortization

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. The School capitalization levels are \$1,000 on tangible personal property. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the costs and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Furniture and equipment	3-5 Years
Computer equipment and software	3-5 Years

Compensated Absences

The School grants a specific number of days for sick/personal leave. Full-time employees are eligible for one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. There is an opportunity to “cash out” unused sick days; however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days. The cash value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated days available to be used in future benefit years.

The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Government-wide Fund Net Position

Government-wide fund net position are divided into three components:

- Net investment in capital assets – consists of the historical cost capital assets less accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets plus deferred outflows of resources less deferred inflows of resources. The net investment in capital assets for the year ending June 30, 2021, was \$65,820.
- Restricted net assets – consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments less related liabilities and deferred inflows of resources. The restricted net position for the year ending June 30, 2021 was \$0.
- Unrestricted – all other net position is reported in this category.

VICTORY CHARTER SCHOOL K-5, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). At June 30, 2021, the School had \$0 in non-spendable fund balance.
- Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At June 30, 2021, there is no restricted fund balance.
- Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School’s Board of Directors. At June 30, 2021, there is no committed fund balance.
- Assigned – fund balance classification are intended to be used by the School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed. At June 30, 2021, there is no assigned fund balance.
- Unassigned – fund balance is the residual classification for the School’s general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance at the end of the fiscal year by adjusting journal entries. First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund. As of June 30, 2021, there are no minimum fund balance requirements for any of the School’s funds.

Revenue Sources

Revenues for operations will be received primarily from the District School Board of Osceola County (the “School Board”) pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the School Board. Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. In addition, the School receives an annual allocation of charter school capital outlay funds for leasing of School facilities.

The School may also receive federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expensed. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

VICTORY CHARTER SCHOOL K-5, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Victory Charter School K-5, Inc. qualifies as a tax exempt organization under the Internal Revenue Code Section 501I(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Use of Estimates

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

Subsequent Events

The School has evaluated subsequent events and transactions for potential recognition or disclosure through September 13, 2021, which is the date the financial statements were available to be issued.

NOTE 3 – DUE FROM OTHER AGENCIES

As of June 30, 2021, due from other agencies represent reimbursements from Title I Grant of \$25,549.

NOTE 4 – CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2021:

	Balance			Balance
	July 1, 2020	Additions	Deletions	June 30, 2021
Capital Assets				
Furniture and equipment	\$ -	\$ 78,983	\$ -	\$ 78,983
Total Capital Assets	<u>\$ -</u>	<u>\$ 78,983</u>	<u>\$ -</u>	<u>\$ 78,983</u>
Less Accumulated Depreciation				
Furniture and equipment	-	(13,163)	-	(13,163)
Total Accumulated Depreciation	<u>\$ -</u>	<u>\$ (13,163)</u>	<u>\$ -</u>	<u>\$ (13,163)</u>
Capital Assets, net	<u>\$ -</u>	<u>\$ 65,820</u>	<u>\$ -</u>	<u>\$ 65,820</u>

Depreciation expense for the year ended June 30, 2021 was \$13,163, which was allocated to general and administrative.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The School entered into a management agreement with National Academic Educational Partners, Inc. (“NAEP”) to provide professional management and consulting services to the School. In its capacity, as the School’s management company, NAEP manages the day to day educational, financial and operational affairs and aspects of the School. NAEP makes recommendations to the School’s independent board of directors which make the final determinations regarding polices and contracts.

VICTORY CHARTER SCHOOL K-5, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 – COMMITMENTS AND CONTINGENCIES (Continued)

In providing these management services to the School, officers of NAEP may not serve as members of the Board of Directors of the School. The agreement began on July 1, 2020, and is in effect through June 30, 2031 with an option to renew. The contract can be terminated by either party with 60 days’ notice. The contract calls for a management fee of 10% of full time equivalent (FTE) revenues based on the School’s enrollment in the first year and 12% thereafter. During the year-ended June 30, 2021, the School incurred management fees of \$199,636 and no amounts were due to NAEP at June 30, 2021.

Facilities:

Victory Charter School K5, Inc., entered into a lease agreement for its current educational facilities on July 1, 2020. There was a first amendment made to the lease in August 2021. The lease expires on July 31, 2040. The School entered into a sublease agreement with Avant Garde Academy, Inc. d/b/a Victory Charter School, a separate but related party, for the shared use of these educational facilities. The School pays \$66,667 on a monthly basis to the landlord and charges a rent to Victory Charter School based on the ratio of student enrollment in each school over the total enrollment multiplied by the total rent due for the year. For the year ended June 30, 2021, the combined rent due was \$800,000. The portion paid and recorded as expense by Victory Charter School K-5, Inc. was \$224,000 for the year ended June 30, 2021. The School received \$576,000 from Victory Charter School for its share of rent expense

Below are the total estimated future minimum lease payments for the facilities as follows:

<u>Year Ended June 30</u>	
2022	\$ 1,100,000
2023	1,350,000
2024	1,300,000
2025	1,300,000
2026	<u>1,300,000</u>
Total	<u>\$ 6,350,000</u>

NOTE 6 – DEPOSITS POLICY AND CREDIT RISK

It is the School’s policy to maintain its cash and cash equivalents in one financial institution. Deposits at FDIC-insured financial institutions are insured up to \$250,000 per depositor, per financial institution. Bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2021, bank balances in potential excess of FDIC coverage was \$0.

NOTE 7 – GRANTS

In the normal course of operations, the School receives grant funds from various federal, state, and local agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not reflected in these financial statements.

VICTORY CHARTER SCHOOL K-5, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in the past. In addition, there were no reductions in insurance coverage from those in the prior year. The School does not sponsor a public entity risk pool and has had no settlements that have exceeded their insurance coverage.

NOTE 9 – OTHER MATTERS

The World Health Organization (“WHO”) has declared the coronavirus (COVID-19), a global pandemic and public health emergency. At this point, the School cannot reasonably estimate the extent to which this disruption may continue to impact the School’s financial statements and future results of operations.

REQUIRED SUPPLEMENTAL INFORMATION

VICTORY CHARTER SCHOOL K-5, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 1,848,676	\$ 1,848,676	\$ 2,088,443
Charges for services and other income	1,138,480	1,138,480	831,269
TOTAL REVENUES	2,987,156	2,987,156	2,919,712
EXPENDITURES			
Instruction	\$ 1,022,566	\$ 1,022,566	\$ 932,069
Instructional support services	7,500	7,500	8,279
Instruction and curriculum development	-	-	4,585
Instruction-related technology	-	-	9,272
School board	26,000	26,000	32,809
General administrative	-	-	9,213
School administration	146,976	146,976	157,207
Other capital outlay	-	-	78,983
Food services	-	-	37
Central services	82,790	82,790	93,467
Pupil transportation services	359,100	359,100	344,430
Operation of plant	1,133,596	1,133,596	973,975
Maintenance of plant	12,700	12,700	20,278
Fiscal services	171,699	171,699	200,373
Administrative technology services	19,863	19,863	16,487
TOTAL EXPENDITURES	\$ 2,982,790	\$ 2,982,790	\$ 2,881,464
Change in fund balance before other financing sources	4,366	4,366	38,248
Other financing sources	-	-	-
Net change in fund balance	\$ 4,366	\$ 4,366	\$ 38,248

See accompanying note to the required supplemental information.

VICTORY CHARTER SCHOOL K-5, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Special Revenue Funds</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Federal passed through local	\$ 62,349	\$ 62,349	\$ 142,039
TOTAL REVENUE	<u>62,349</u>	<u>62,349</u>	<u>142,039</u>
EXPENDITURES			
Instruction	<u>62,349</u>	<u>62,349</u>	<u>142,039</u>
TOTAL EXPENDITURES	<u>62,349</u>	<u>62,349</u>	<u>142,039</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to the required supplemental information.

VICTORY CHARTER SCHOOL K-5, INC.
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2021, has been amended according to Board procedures. During the fiscal year, expenditures were controlled at the fund level.

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

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay).



GUTIERREZ MADARIAGA

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

Board of Directors of
Victory Charter School K-5, Inc.
Kissimmee, 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 Victory Charter School K-5, Inc. (the "School"), as of and for the year ended June 30, 2021, 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 13, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Gutierrez Madariaga, CPA P.A.

GUTIERREZ MADARIAGA, CPA P.A.

Coral Gables, Florida

September 13, 2021



GUTIERREZ MADARIAGA

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

MANAGEMENT LETTER

Board of Directors of
Victory Charter School K-5, Inc.
Kissimmee, Florida

Report on the Financial Statements

We have audited the financial statements of Victory Charter School K-5, Inc. (the “School”), as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 13, 2021.

Auditor’s Responsibility

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; and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which is dated September 13, 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. There were no findings or recommendations made in the preceding 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 of the entity and the school code assigned by the Florida Department of Education of the school is Victory Charter School K-5, Inc. #490203.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether 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. The financial condition assessment procedures applied in connection with our audit, has lead us to believe that the School's overall financial condition as of June 30, 2021 is not deteriorating.

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 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.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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 the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and the School Board of Osceola County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Gutierrez Madariaga, CPA P.A.

GUTIERREZ MADARIAGA, CPA P.A.

Coral Gables, Florida

September 13, 2021