

The Learning Academy, Inc.

BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2022



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	15
Notes to Financial Statements	16-27
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	29
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Capital Outlay Fund	30
Note to Required Supplementary Information	31

TABLE OF CONTENTS (continued)

COMPLIANCE INFORMATION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33-34
Management Letter	35-36
Management Findings, Recommendations and Responses	37

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Learning Academy, Inc. (the "School"), a component unit of the Santa Rosa County School District, Florida (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 (reference table of contents) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 *Governmental Auditing Standards*, we have also issued our report dated September 12, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the School's internal control over financial reporting and compliance.

Emphasis of Matters

As discussed in Note D to the financial statements, effective June 30, 2022, the County adopted the provisions of GASB 87, Leases. Our opinions are not modified with respect to this matter.

McDonough CPA Solutions, PA

September 12, 2022
Rockledge, Florida

Management's Discussion and Analysis

As management of The Learning Academy, Inc. (the "School"), which is a component unit of the Santa Rosa County School District, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2022 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (d) highlight significant issues in individual funds.

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

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$993,005.
- The School's total net position increased by \$208,830.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$409,503.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$409,503.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

The School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The general fund and capital outlay fund are considered to be major funds. The basic governmental fund financial statements can be found listed on the table of contents of this report. The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules and note to these schedules have been provided to this budget in the table of contents of this report.

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

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a School's financial position. In the case of the School, for the years ended June 30, 2022 and 2021, assets exceeded liabilities by \$993,005 and \$784,175, respectively.

A significant portion of the School's net position reflects its net investment in capital assets (e.g., land, buildings, improvements other than buildings, computer software, furniture, fixtures and equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The investment in capital assets, net of related debt totaled \$583,502 at June 30, 2022.

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

The Learning Academy, Inc. Statement of Net Position

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
ASSETS			
Current assets	\$ 410,115	\$ 241,903	\$ 168,212
Noncurrent assets	<u>1,274,269</u>	<u>1,325,617</u>	<u>(51,348)</u>
Total assets	<u>1,684,384</u>	<u>1,567,520</u>	<u>116,864</u>
LIABILITIES			
Current liabilities	96,979	100,815	(3,836)
Long-term liabilities	<u>594,400</u>	<u>682,530</u>	<u>(88,130)</u>
Total liabilities	<u>691,379</u>	<u>783,345</u>	<u>(91,966)</u>
NET POSITION			
Net investment in capital assets	583,502	549,827	33,675
Unrestricted	<u>409,503</u>	<u>234,348</u>	<u>175,155</u>
Total net position	<u>\$ 993,005</u>	<u>\$ 784,175</u>	<u>\$ 208,830</u>

Current assets increased due to timing of collections of cash offset by the payments to vendors and an increase in the amount due from other agencies at the end of period. Noncurrent assets decreased mostly due to current year depreciation offset by new additions. Total liabilities decreased due to payments of current year principal for outstanding debt.

The Learning Academy, Inc.
Statement of Activities

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Revenues			
Program revenues			
Operating grants and contributions	\$ 45,274	\$ 52,474	\$ (7,200)
Capital grants and contributions	82,699	61,658	21,041
General revenues			
Florida education finance program	999,674	826,732	172,942
Federal impact aid	92,110	16,320	75,790
Proceeds from loan forgiveness	-	132,122	(132,122)
Proceeds from donated bus	1,500	-	1,500
Other revenues	22,711	8,878	13,833
	<u>1,243,968</u>	<u>1,098,184</u>	<u>145,784</u>
Expenses			
Basic instruction	389,108	369,143	19,965
Media services	36,287	-	36,287
Board of directors	9,813	10,908	(1,095)
School administration	151,736	149,579	2,157
Facilities	3,299	1,415	1,884
Fiscal services	61,790	97,637	(35,847)
Food services	5,486	49	5,437
Staff services	53,726	89,934	(36,208)
Transportation	128,477	111,892	16,585
Operation of plant	160,106	138,396	21,710
Debt service	35,310	39,131	(3,821)
	<u>1,035,138</u>	<u>1,008,084</u>	<u>27,054</u>
Change in net position	208,830	90,100	118,730
Net position - beginning	784,175	694,075	90,100
Net position - ending	<u>\$ 993,005</u>	<u>\$ 784,175</u>	<u>\$ 208,830</u>

In the current year, revenues increased due to the increase in student enrollment, capital outlay revenues, and e-rate revenues found in other assets offset by the decrease from paycheck protection loan forgiveness in the prior year. Basic instruction increased mainly due to increases in salaries and benefits. Media services increased due increased costs for computer hardware and software subscriptions. Fiscal services and staff services decreased due to a reduction in the management fee charged during the year. Operation of Plant increased mostly due to increases of salaries and repair and maintenance offset by a reduction in leased equipment.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the School's governmental funds is to provide information on assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

As of the current fiscal year, the School's governmental funds reported a combined ending fund balance of \$409,503.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$409,503.

During the current fiscal year, the fund balance of the School's general fund increased by \$175,155.

General Fund Budgetary Highlights

Actual general fund revenues were more than final budget by \$91,803. Actual general fund expenditures were more than final budget by \$39,177.

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

Capital Asset and Debt Administration

Capital Assets. The School's net investment in capital assets for its governmental type activities as of June 30, 2022 amounts to \$583,502. This investment in capital assets includes land, buildings, improvements other than buildings, and furniture, fixtures, and equipment, net of related debt. Additional information on the School's capital assets can be found in Note C.

Debt Administration. As of June 30, 2022, the School had outstanding debt of \$683,110.

Economic Factor. The number of enrolled students determines a majority of the School's funding. The School is forecasting enrollment to increase from 100 students in the current year to 110 students for the 2022/2023 school year. In addition, the School is estimating a potential increase in referrals provided by the district of 10%.

Request for Information

This financial report is designed to provide a general overview of The Learning Academy, Inc.'s finances for those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Rader Group, 101-A Business Centre, Miramar Beach, FL 32550.

The Learning Academy, Inc.
STATEMENT OF NET POSITION
June 30, 2022

ASSETS

CURRENT ASSETS

Cash	\$ 317,288
Due from other agencies	92,827
Total current assets	410,115

CAPITAL ASSETS

Capital assets not being depreciated:	
Land	185,000
Capital assets, net of accumulated depreciation:	
Buildings and fixed equipment	1,010,581
Leasehold improvements	58,649
Furniture, fixtures and equipment	9,452
Vehicles	2,930
Total capital assets, net	1,266,612

NONCURRENT ASSETS

Right-of-use assets, net	7,657
Total noncurrent assets	1,274,269
Total assets	\$ 1,684,384

LIABILITIES AND NET POSITION

LIABILITIES

Accounts payable	585
Accrued payroll liabilities	27
Long-term liabilities - due in one year:	
Lease liabilities	2,400
Note payable	93,967
Long-term liabilities - due in more than one year:	
Lease liabilities	5,257
Note payable	589,143
Total liabilities	\$ 691,379

NET POSITION

Net investment in capital assets	583,502
Unrestricted	409,503
Total net position	\$ 993,005

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

The Learning Academy, Inc.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022

<u>Fuctions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental Activities:					
Basic instruction	\$ 389,108	\$ -	\$ 45,274	\$ -	\$ (343,834)
Media services	36,287	-	-	-	(36,287)
Board of directors	9,813	-	-	-	(9,813)
School administration	151,736	-	-	-	(151,736)
Facilities	3,299	-	-	-	(3,299)
Fiscal services	61,790	-	-	-	(61,790)
Food services	5,486	-	-	-	(5,486)
Staff services	53,726	-	-	-	(53,726)
Transportation	128,477	-	-	-	(128,477)
Operation of plant	160,106	-	-	82,699	(77,407)
Interest on note payable	35,310	-	-	-	(35,310)
Total governmental activities	<u>\$ 1,035,138</u>	<u>\$ -</u>	<u>\$ 45,274</u>	<u>\$ 82,699</u>	<u>(907,165)</u>
General revenues:					
					999,674
					92,110
					1,500
					22,711
					<u>1,115,995</u>
					208,830
					<u>784,175</u>
					<u>\$ 993,005</u>

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

The Learning Academy, Inc.
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 317,288	\$ -	\$ -	\$ 317,288
Due from other agencies	92,827	-	-	92,827
Total assets	\$ 410,115	\$ -	\$ -	\$ 410,115
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 585	\$ -	\$ -	\$ 585
Accrued payroll liabilities	27	-	-	27
Total liabilities	612	-	-	612
FUND BALANCES				
Unassigned	409,503	-	-	409,503
Total fund balances	409,503	-	-	409,503
Total liabilities and fund balances	\$ 410,115	\$ -	\$ -	\$ 410,115

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

The Learning Academy, Inc.
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2022

Total Fund Balance - Governmental Funds	\$	409,503
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:</p>		
Capital assets	\$ 1,894,864	
Accumulated depreciation	<u>(628,252)</u>	1,266,612
<p>Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
		7,657
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Note payable	\$ (683,110)	
Lease liabilities	<u>(7,657)</u>	<u>(690,767)</u>
Net Position of Governmental Activities		<u><u>\$ 993,005</u></u>

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

The Learning Academy, Inc.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the year ended June 30, 2022

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Federal passed through state and local	\$ 92,110	\$ -	\$ 45,274	\$ 137,384
State passed through local school district	999,674	82,699	-	1,082,373
Other revenues	24,211	-	-	24,211
Total revenues	<u>1,115,995</u>	<u>82,699</u>	<u>45,274</u>	<u>1,243,968</u>
Expenditures				
Current:				
Basic instruction	341,133	-	45,274	386,407
Media services	36,287	-	-	36,287
Board of directors	9,813	-	-	9,813
Facilities	3,005	294	-	3,299
Fiscal services	61,790	-	-	61,790
Food services	5,486	-	-	5,486
Staff services	53,726	-	-	53,726
Transportation	125,492	-	-	125,492
Operation of plant	107,211	-	-	107,211
Debt service	41,942	82,405	-	124,347
Fixed capital outlay	3,219	-	-	3,219
Total expenditures	<u>940,840</u>	<u>82,699</u>	<u>45,274</u>	<u>1,068,813</u>
Net change in fund balance	175,155	-	-	175,155
Fund balances at July 1, 2021	234,348	-	-	234,348
Fund balances at June 30, 2022	<u>\$ 409,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 409,503</u>

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

The Learning Academy, Inc.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2022

Net Change in Fund Balances - Governmental Funds \$ 175,155

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

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

Capital outlay	\$ 3,219	
Provision for donated bus	1,500	
Right-of-use asset - amortization	(2,323)	
Provision for depreciation	<u>(63,724)</u>	(61,328)

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

Note payable	\$ 89,037	
Capital lease	<u>3,643</u>	92,680

Some expenses reported in governmental funds are to be reported on a long-term basis; therefore are not reported in the Statement of Activities.

Payment of lease principal		<u>2,323</u>
Change in Net Position - Governmental Activities		<u><u>\$ 208,830</u></u>

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

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The Learning Academy, Inc. (the “School”), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The School provides educational services to students of grades 6–12. The governing body of the School is the Board of Directors, which is composed of three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The school operates under a charter of the sponsoring school district, which is the Santa Rosa County School District, Florida (the “District”). The current charter is effective through June 30, 2024. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the Santa Rosa County School District, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net position, the difference between assets, liabilities, and deferred outflows/inflows of resources, as presented in the statement of net position, are subdivided into three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investments in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Two of the School's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

4. Cash

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

5. Receivables

The School's management reviewed receivables at June 30, 2022, and determined that the balance was considered fully collectible based on prior experience; therefore, no allowance for doubtful accounts has been provided.

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Interfund activity

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. At the end of the year, there was no interfund activity.

7. Capital assets

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

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

Asset Class	Estimated Useful Lives
Buildings and fixed equipment	9 - 30
Improvements other than buildings	5 - 15
Furniture, fixtures and equipment	5 - 10
Computer Software	3 - 5
Vehicles	5

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

8. Long-term obligations

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

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (“FTE”) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes the District reports the number of FTE students and related data to the Florida Department of Education (“FDOE”) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School may receive federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until qualifying eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

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

10. Use of estimates

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

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Income Taxes

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

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

12. Fund balance classification

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

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

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

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

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Fund balance classification (continued)

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

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

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

13. Budget

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

NOTE B – CASH

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes. As of June 30, 2022, \$74,335 of the School's balances held were exposed to custodial credit risk.

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE C – CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets not depreciated:				
Land	\$ 185,000	\$ -	\$ -	\$ 185,000
Total capital assets not depreciated	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>185,000</u>
Capital assets depreciated:				
Buildings and fixed equipment	1,263,234	-	-	1,263,234
Improvements other than buildings	316,432	-	-	316,432
Computer software	23,500	-	-	23,500
Furniture, fixtures and equipment	123,849	3,219	-	127,068
Vehicles	21,800	1,500	-	23,300
Total capital assets depreciated	<u>1,748,815</u>	<u>4,719</u>	<u>-</u>	<u>1,753,534</u>
Less accumulated depreciation:				
Buildings and fixed equipment	210,000	42,653	-	252,653
Improvements other than buildings	250,206	7,577	-	257,783
Computer software	22,847	653	-	23,500
Furniture, fixtures and equipment	109,260	8,356	-	117,616
Vehicles	15,885	4,485	-	20,370
Total accumulated depreciation	<u>608,198</u>	<u>63,724</u>	<u>-</u>	<u>671,922</u>
Total capital assets, net	<u>\$ 1,325,617</u>	<u>\$ (59,005)</u>	<u>\$ -</u>	<u>\$ 1,266,612</u>

Depreciation expense was charged for the year ended June 30, 2022 to functions of the School as follows:

Basic instruction	\$ 2,701
Transportation	4,485
Plant	56,538
	<u>\$ 63,724</u>

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE D – LONG TERM LIABILITIES

Changes in long-term liabilities were as follows:

	Balance at July 1, 2021	Additions	Reductions	Balance at June 30, 2022	Due within one year
Note payable	\$ 772,147	\$ -	\$ 89,037	\$ 683,110	\$ 93,967
Capital lease	3,643	-	3,643	-	-
Lease liabilities	9,980	-	2,323	7,657	2,400
	<u>\$ 785,770</u>	<u>\$ -</u>	<u>\$ 95,003</u>	<u>\$ 690,767</u>	<u>\$ 96,367</u>

1. Note payable

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

Future principal and interest payments are as follows:

	Principal	Interest
2023	\$ 93,967	\$ 30,380
2024	98,529	25,818
2025	103,313	21,035
2026	108,328	16,019
2027	113,587	10,760
Thereafter	165,386	5,723
	<u>\$ 683,110</u>	<u>\$ 109,735</u>

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE D – LONG TERM LIABILITIES (Continued)

2. Capital lease payable

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

The lease is for a term of 60 months, requiring monthly payments of \$1,875. At June 30, 2022, assets recorded under the capital lease was as follows:

	Cost	Accumulated Depreciation	Net Book Value
Furniture, fixtures and equipment	\$ 66,222	\$ 66,222	\$ -

As of June 30, 2022, the School has fulfilled the terms of the lease and the ownership of the lease has reverted to the School.

3. Lease liabilities – Right-of-Use

The School entered into leases for copiers for use in the facility and classrooms. The leases are noncancellable 60-month terms. The leases have nonrenewal clauses and the copiers revert to the lessor at the end of the lease. The payment schedule for reducing the lease liabilities is as follows:

Type	Start Date	July 1, 2021	Additions	Interest Paid	Principal Paid	Total	June 30, 2022	Current Portion of Lease Liabilities
Copier	5/26/2020	9,980	-	290	2,323	2,613	7,657	2,400
Totals		9,980	-	290	2,323	2,613	7,657	2,400

In relationship to the lease liabilities, the School chooses to amortize the right-of-use asset on a straight-line basis. Changes in right-of-use asset are presented in the table below:

	July 1, 2021	Additions	Decreases	June 30, 2022
Right-of-use Assets				
Copiers	\$ 11,980	\$ -	\$ -	\$ 11,980
Total right-of-use assets, being amortized	11,980	-	-	11,980
Less accumulated amortization:				
Copiers	2,000	2,323	-	4,323
Total accumulated amortization	2,000	2,323	-	4,323
Total right-of-use asset being amortized, net	\$ 9,980	\$ (2,323)	\$ -	\$ 7,657

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE E – CONCENTRATIONS

1. Revenue sources

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

NOTE E – CONCENTRATIONS (continued)

The following is a schedule of revenue sources and amounts:

School Board of Santa Rosa County, Florida	
Base funding	\$ 643,872
Supplemental academic instruction	130,115
FEFP referrals	99,169
Class size reduction	93,363
School security	37,336
Safe schools	23,208
Transportation	14,316
Classroom teacher CAT pay increase	13,276
Textbooks	9,042
Reading allocation	4,125
Safety and security	3,891
Classroom supply assistance	1,759
Library media	557
Digital classroom	353
Building maintenance	291
Science lab	152
	<hr/>
	1,074,825
Capital outlay	82,699
Title 1	45,274
Other local revenues	24,211
ESSER II	12,932
CARES Act K-12	1,027
CARES Act instructional continuity plan	3,000
	<hr/>
	<u>\$ 1,243,968</u>

NOTE F – COMMITMENTS AND CONTINGENCIES

1. Management service contact

As of July 8, 2015, the School entered into a management agreement with a third party (“Management Company”) to provide financial, human resource, and administration related assistance to the School at a fee which the School’s Board shall approve annually and shall be a part of the Annual and Amended Budget. The management agreement will remain in effect during any subsequent terms of the charter contract between the School and School District unless terminated in accordance with the terms of the contact. Current year management fees and other fees paid to the Management Company totaled \$106,704.

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE G – RELATED PARTY

1. Management agreement

The Management Company provides financial, human resources, and administration services based on a contractual arrangement with the School. The Management Company manages the finances and operations and makes recommendations to the School's independent Board of Directors, which makes the final determinations regarding policies and contracts. Total management and other fees charged to operations for the year ended June 30, 2022 were \$106,704 (see Note F).

2. Shared operating expenses

The School shares various operating expenses with schools operated by the same management company. During the year, the School reimbursed shared operating expenses in the amount of \$161.

3. School district services

The School receives services for building maintenance, transportation, security, and safe schools paid for by the Santa Rosa County School District, Florida during the year. As of June 30, 2022, the School has recognized expenses and revenues in relationship to the service in the amount of \$75,151.

NOTE H – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial liability insurance. Under the plan for property insurance, the School's liability is \$1,000 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2022. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

NOTE I – SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 12, 2022, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements except as follows:

- On July 1, 2022, the School entered into a contract for new roofs for two buildings in the amount of \$114,637.
- On July 27, 2022, the School purchased comprehensive digital libraries 6-12 software in the amount of \$21,250.
- On August 8, 2022, the School purchased property and student accident insurance in the amount of \$17,984 related to the 2022-2023 school year.

REQUIRED SUPPLEMENTARY INFORMATION

THE LEARNING ACADEMY, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND
ACTUAL – GENERAL FUND
For the year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
FEFP	\$ 753,407	\$ 877,453	\$ 877,454	\$ 1
FEFP referrals	-	75,000	99,169	24,169
Federal through District	-	12,932	92,110	79,178
Lead teacher fund	1,953	1,759	1,759	-
Teacher increases	-	13,276	13,276	-
Reading allocation	4,500	5,152	4,125	(1,027)
Safety and security funds	-	3,891	3,891	-
Donations	-	-	1,500	1,500
E-Rate	8,100	30,850	18,700	(12,150)
Uniforms	-	2,964	2,964	-
Miscellaneous	200	915	1,047	132
Total revenues	<u>768,160</u>	<u>1,024,192</u>	<u>1,115,995</u>	<u>91,803</u>
Expenditures				
Salaries	418,361	414,025	403,120	10,905
Retirement	250	4,440	4,440	-
Social security	32,259	34,562	31,151	3,411
Group insurance	49,395	49,571	37,131	12,440
Worker's comp	5,000	5,000	4,596	404
Unemployment compensation	1,169	484	290	194
Management Fee	100,000	100,000	106,704	(6,704)
Audit/accounting	8,200	8,200	8,190	10
School Resource Officer	-	150	-	150
Misc. contract services	500	3,400	65,135	(61,735)
Staff development	500	-	-	-
Insurance	35,000	35,000	31,216	3,784
Travel	1,500	6,400	4,836	1,564
Vehicle/maintenance	12,000	18,000	29,441	(11,441)
Computer repair	7,000	5,500	4,001	1,499
Inspections/fire extinguisher	1,000	1,000	291	709
Lease-copier	5,700	5,700	2,088	3,612
Lease-equipment	23,000	4,000	3,750	250
Postage	1,000	1,000	764	236
Phone/internet	16,000	16,000	15,313	687
Water/sewer	4,000	6,600	5,973	627
Pest control	440	1,200	1,076	124
Security monitoring	1,700	2,500	2,539	(39)
Misc. non-professional services	2,000	2,800	2,450	350
Elect/gas	30,000	30,000	31,519	(1,519)
Gas/vehicles	18,000	2,000	79	1,921
Supplies	14,000	17,600	17,221	379
Instructional material	1,500	1,500	1,389	111
Lunches	500	500	197	303
Other materials & supplies	2,100	6,500	6,550	(50)
Equipment	4,500	4,500	3,184	1,316
Computer hardware	10,000	26,000	24,218	1,782
Vehicles	-	2,500	3,597	(1,097)
Principal and interest	71,000	61,019	44,555	16,464
Software	21,000	12,682	19,500	(6,818)
Fees/miscellaneous	2,800	2,800	2,250	550
Auto Tags & Fees	-	530	-	530
Transportation costs	-	-	14,316	(14,316)
Substitutes/temporary	5,000	8,000	7,770	230
Total expenditures	<u>906,374</u>	<u>901,663</u>	<u>940,840</u>	<u>(39,177)</u>
Deficiency of revenues under expenditures	(138,214)	122,529	175,155	52,626
Other financing sources				
Transfers in	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(113,214)	122,529	175,155	52,626
Fund balance at July 1, 2021	<u>234,348</u>	<u>234,348</u>	<u>234,348</u>	<u>-</u>
Fund balance at June 30, 2022	<u>\$ 121,134</u>	<u>\$ 356,877</u>	<u>\$ 409,503</u>	<u>\$ 52,626</u>

The accompanying note is an integral part of these financial statements.

THE LEARNING ACADEMY, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND
ACTUAL – CAPITAL OUTLAY FUND
For the year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charter school capital outlay	\$ 84,000	\$ 81,981	\$ 82,699	\$ 718
Total revenues	<u>84,000</u>	<u>81,981</u>	<u>82,699</u>	<u>718</u>
Expenditures				
Salaries	7,500	-	-	-
Social security	675	-	-	-
Unemployment	125	-	-	-
Repairs and maintenance	15,000	12,000	-	12,000
Supplies	-	-	294	(294)
Principal and interest new building	<u>60,700</u>	<u>69,981</u>	<u>82,405</u>	<u>(12,424)</u>
Total expenditures	<u>84,000</u>	<u>81,981</u>	<u>82,699</u>	<u>(718)</u>
Net change in fund balance	-	-	-	-
Fund balance at July 1, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying note is an integral part of these financial statements.

The Learning Academy, Inc.
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

NOTE A – BUDGETARY INFORMATION

The School's budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for all governmental fund activities and may be amended by the School's Board of Directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2022, have been amended according to Board procedures.

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

COMPLIANCE INFORMATION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of The Learning Academy, Inc. (the "School"), a component unit of the Santa Rosa County School District, Florida (the "District") as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 12, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 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 *Governmental 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McDonough CPA Solutions, PA

September 12, 2022
Rockledge, Florida

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of The Learning Academy, Inc. (the “School”), a component unit of the Santa Rosa County School District, Florida, as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated September 12, 2022.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated September 12, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, the School did not have prior year findings.

Official Title

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

Financial Condition and Management

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

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

Section 10.854(1)(e)3., Rules of the 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 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 School's management, others within the School, and the Santa Rosa County School District and is not intended to be and should not be used by anyone other than these specified parties.

McDonough CPA Solutions, PA

September 12, 2022
Rockledge, Florida

MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2022 and 2021, there were no findings, recommendations or other matters.