



Mater Academy St. Cloud

WL# 0202

(A Charter School under Mater Academy Central, Inc. and
A Component Unit of the School District of Osceola County, Florida)

St. Cloud, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2022

TABLE OF CONTENTS

| | | |
|--|-------|-------|
| General Information | 1 | |
| Independent Auditors' Report. | 2-4 | |
| Management's Discussion and Analysis (Required Supplementary Information) | 5-9 | |
| Basic Financial Statements: | | |
| <i>Government-wide Financial Statements:</i> | | |
| Statement of Net Position. | 10 | |
| Statement of Activities. | 11 | |
| <i>Fund Financial Statements:</i> | | |
| Balance Sheet - Governmental Funds. | 12 | |
| Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position. | 13 | |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds. | 14 | |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities. | 15 | |
| Notes to the Basic Financial Statements | 16-28 | |
| Required Supplementary Information: | | |
| Budgetary Comparison Schedule | 29 | |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 30-31 |
| Management Letter | 32-33 | |

Mater Academy St. Cloud
(A charter school under Mater Academy Central, Inc.)
W/L# 0202
1925 Nora Tyson Road
St. Cloud, Florida 34771

2021-2022

Board of Directors

Cesar Christian Crousillat, Board Chair, Director
Shannie Sadesky, Vice-Chair, Director
Idalia Suarez, Secretary, Director
Maurene Sotero Balmaseda, Director
Maria Beatriz Nuñez, Director

School Administration

Alexandra Castillo, Principal

Other Non-voting Corporate Officers

Roberto Blanch, President
Kim Guilarte, Chief Operating Office



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mater Academy St. Cloud
St. Cloud, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mater Academy St. Cloud (the “School”), a charter school under Mater Academy Central, Inc. which is a component unit of the School District of Osceola County, 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 Mater Academy St. Cloud 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 (GAAS) and the standards applicable to financial audits contained in Government 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 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 Mater Academy St. Cloud’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.

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Auditors' 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 *Government 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 *Government 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.

Emphasis of a Matter – Change in Accounting Principle

As described in Note 7 to the financial statements, in 2022, the School adopted a new accounting guidance, GASB Statement No, 87, *Leases*. Our opinion is not modified with respect to this matter.

Emphasis of a Matter – Presentation

As described in Note 1, the accompanying financial statements referred to above present only the financial position and change in financial position of Mater Academy St. Cloud that is attributable to the transactions of the School and is not intended to be a complete presentation of Mater Academy Central, Inc. These financial statements do not purport to, and do not, present fairly the financial position of as of June 30, 2022 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 5 through 9 and 29 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 *Government Auditing Standards*, we have also issued our report dated September 20, 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, 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 the 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 20, 2022

Management's Discussion and Analysis
Mater Academy St. Cloud
(A Charter school Under Mater Academy Central, Inc.)
June 30, 2022

The corporate officers of Mater Academy Central, Inc. have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2022.

Financial Highlights

1. The net position of the School at June 30, 2022 was \$29,233.
2. At year-end, the School had current assets on hand of \$1,600,204.
3. The School had a decrease in its net position of \$(29,882) for the year ended June 30, 2022.
4. The unassigned fund balance at year end was \$900,599.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2022 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, deferred outflows of resources, liabilities and deferred inflows of resources. The difference 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 when the underlying event 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 10 - 11 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. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government 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.

The Board of the School adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 12 – 15 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 16-28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, net position was \$29,233 at the close of the fiscal year. A summary of the School's net position as of June 30, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|------------------|------------------|
| Cash | \$ 499,868 | \$ 178,117 |
| Investments | 660,000 | 520,000 |
| Prepaid expenses and other assets | 118,492 | 67,200 |
| Due from other agencies | 71,844 | 61,011 |
| Due from Mater Academy, Inc. | 250,000 | - |
| Deposits receivable | 14,100 | 14,100 |
| Capital assets and right of use capital assets, net | 7,711,066 | 801,941 |
| Total Assets | 9,325,370 | 1,642,369 |
| Deferred outflows of resources | - | - |
| Accounts payable and accrued liabilities | 517,243 | 154,886 |
| Lease liability | 7,467,914 | - |
| Notes payable | 1,310,980 | 1,428,368 |
| Total Liabilities | 9,296,137 | 1,583,254 |
| Deferred inflows of resources | - | - |
| Net Position: | | |
| Net investment in capital assets | 52,834 | 469,933 |
| Unrestricted | (23,601) | (410,818) |
| Total Net Position | \$ 29,233 | \$ 59,115 |

At the end of both fiscal years, the School is able to report positive balances in total net position.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2022 and 2021 is as follows:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| REVENUES | | |
| Program Revenues | | |
| Operating grants and contributions | \$ 74,221 | \$ 100,416 |
| Capital outlay funding | 257,300 | 148,401 |
| Charges for services | 116,119 | 51,400 |
| General Revenues | | |
| Local sources (FTE and other non specific) | 2,788,922 | 1,965,915 |
| Other revenues | 808,522 | 462,484 |
| Total Revenues | <u>\$ 4,045,084</u> | <u>\$ 2,728,616</u> |
| EXPENSES | | |
| Instruction | \$ 1,720,193 | \$ 1,221,211 |
| Student support services | 33,559 | 117 |
| Instructional staff training | 14,227 | 5,944 |
| Board | 32,462 | 19,182 |
| School administration | 509,231 | 449,151 |
| Fiscal services | 58,425 | 40,275 |
| Food services | 26,968 | 25,838 |
| Central services | 96,141 | 80,622 |
| Student transportation services | 121,129 | 35,440 |
| Operation of plant | 865,766 | 613,701 |
| Maintenance of plant | 62,405 | 92,126 |
| Administrative technology services | 37,579 | 26,129 |
| Community services | 104,120 | 47,858 |
| Debt service | 392,761 | 30,297 |
| Total Expenses | <u>4,074,966</u> | <u>2,687,891</u> |
| Change in Net Position | (29,882) | 40,725 |
| Net Position at Beginning of Year | <u>59,115</u> | <u>18,390</u> |
| Net Position at End of Year | <u>\$ 29,233</u> | <u>\$ 59,115</u> |

The School's revenue and expenditures increased by \$1,316,468 and \$1,387,075, respectively. The School had a decrease in its net position of \$29,882 for the year.

School Location and Lease of Facility

The School leases a facility located at 1925 Nora Tyson Road, St. Cloud, Florida.

Capital Improvement Requirements

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

School Enrollment

This past year was the third year of operations, the School had on average 390 students enrolled in kindergarten through eight grade.

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, the *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.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$1,019,091. The fund balance unassigned and available for spending at the School's discretion is \$900,599. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets as of June 30, 2022 amounts to \$558,681 (net of accumulated depreciation) and right of use lease asset (building) \$7,152,385 (net of accumulated amortization). This investment in capital assets includes right of use lease asset (buildings), building and improvements, furniture and equipment. As of June 30, 2022, the School had long-term liabilities of \$7,467,914 associated to its capital assets.

New Accounting Pronouncements Adopted

As described in Note 7, the School adopted GASB Statement No. 87, *Leases*. The effect of the adoption was to capitalize a right of use asset (building) with a corresponding liability which is being amortized over the life of the underlying lease agreement. The overall impact on the financial statements was to record interest and amortization expense related to the underlying asset and liability which results in higher total expenses (compared to pre-adoption) during the early years of the lease agreement.

Governmental Fund Budget Analysis and Highlights

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

| | Governmental Fund | | |
|------------------------------------|---------------------|---------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| Program Revenues | | | |
| State capital outlay funding | \$ 258,520 | \$ 258,520 | \$ 257,300 |
| Operating grants and contributions | 158,463 | 74,200 | 74,221 |
| General Revenues | | | |
| FTE nonspecific revenues | 2,690,802 | 2,770,591 | 2,788,922 |
| Charges and other revenues | 842,788 | 865,184 | 924,638 |
| Total Revenues | <u>3,950,573</u> | <u>3,968,495</u> | <u>4,045,081</u> |
| CURRENT EXPENDITURES | | | |
| Instruction | 1,773,811 | 1,574,963 | 1,557,612 |
| Student support services | 5,000 | 33,585 | 33,559 |
| Instructional staff training | 18,500 | 17,708 | 14,227 |
| Board | 30,375 | 36,421 | 32,462 |
| School administration | 498,597 | 491,798 | 490,013 |
| Fiscal services | 67,500 | 63,237 | 58,425 |
| Food services | 4,500 | 3,523 | 1,450 |
| Central services | 100,500 | 96,141 | 96,141 |
| Student transportation services | 93,611 | 100,419 | 98,226 |
| Operation of plant | 378,158 | 377,628 | 377,288 |
| Maintenance of plant | 100,000 | 63,026 | 61,078 |
| Administrative technology services | 29,870 | 42,008 | 37,579 |
| Community services | 58,000 | 56,151 | 104,120 |
| Total Current Expenditures | <u>\$ 3,158,422</u> | <u>\$ 2,956,608</u> | <u>\$ 2,962,180</u> |

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year.

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Broward, LLC, 6340 Sunset Drive, Miami, Florida 33143.

Mater Academy St. Cloud
(A charter school under Mater Academy Central, Inc.)

Statement of Net Position
June 30, 2022

| <u>Assets</u> | <u>Governmental Activities</u> |
|--|------------------------------------|
| Current assets: | |
| Cash | \$ 499,868 |
| Investments | 660,000 |
| Prepaid expenses and other assets | 118,492 |
| Due from other agencies | 71,844 |
| Due from Mater Academy, Inc. | 250,000 |
| Total Current Assets | <u>1,600,204</u> |
| Capital assets, net: | |
| Capital assets, depreciable | 1,355,029 |
| Less: accumulated depreciation | (796,348) |
| Right of use lease asset | 7,599,409 |
| Less: accumulated amortization | (447,024) |
| Total Capital Assets, net | <u>7,711,066</u> |
| Deposits receivable | <u>14,100</u> |
| Total Assets | 9,325,370 |
| <u>Deferred Outflows of Resources</u> | <u>-</u> |
| <u>Liabilities</u> | |
| Current liabilities: | |
| Salaries and wages payable | 76,966 |
| Accounts payable | 440,277 |
| Lease liability, current | 312,136 |
| Notes payable, current | 1,213,135 |
| Total Current Liabilities | 2,042,514 |
| Lease liability | 7,155,778 |
| Notes payable, long-term | 97,845 |
| Total Liabilities | <u>9,296,137</u> |
| <u>Deferred Inflows of Resources</u> | <u>-</u> |
| <u>Net Position</u> | |
| Net investment in capital assets | 52,834 |
| Unrestricted | (23,601) |
| Total Net Position | <u>\$ 29,233</u> |

Mater Academy St. Cloud
(A charter school under Mater Academy Central, Inc.)

Statement of Activities
For the year ended June 30, 2022

| 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 | \$ 1,720,193 | \$ - | \$ 74,221 | \$ - | \$ (1,645,972) |
| Student support services | 33,559 | - | - | - | (33,559) |
| Instructional staff training | 14,227 | - | - | - | (14,227) |
| Board | 32,462 | - | - | - | (32,462) |
| School administration | 509,231 | - | - | - | (509,231) |
| Fiscal services | 58,425 | - | - | - | (58,425) |
| Food services | 26,968 | - | - | - | (26,968) |
| Central services | 96,141 | - | - | - | (96,141) |
| Student transportation services | 121,129 | - | - | - | (121,129) |
| Operation of plant | 865,766 | 1,885 | - | 257,300 | (606,581) |
| Maintenance of plant | 62,405 | - | - | - | (62,405) |
| Administrative technology services | 37,579 | - | - | - | (37,579) |
| Community services | 104,120 | 114,234 | - | - | 10,114 |
| Debt service | 392,761 | - | - | - | (392,761) |
| Total governmental activities | 4,074,966 | 116,119 | 74,221 | 257,300 | (3,627,326) |
| General revenues: | | | | | |
| FTE and other nonspecific revenues | | | | | 2,788,922 |
| Other revenue | | | | | 808,522 |
| <hr/> | | | | | |
| Change in net position | | | | | (29,882) |
| | | | | | |
| Net position, beginning | | | | | 59,115 |
| Net position, ending | | | | | \$ 29,233 |

Mater Academy St. Cloud
(A charter school under Mater Academy Central, Inc.)

Balance Sheet - Governmental Funds
June 30, 2022

| | General Fund | Non-Major Funds | Capital Projects Fund | Total Governmental Funds |
|--|--------------------|--------------------|--------------------------|--------------------------------|
| <u>Assets</u> | | | | |
| Cash | \$ 482,562 | \$ 17,306 | \$ - | \$ 499,868 |
| Investments | 660,000 | - | - | 660,000 |
| Due from other agencies | - | - | 25,280 | 25,280 |
| Due from fund | 25,280 | - | - | 25,280 |
| Due from Mater Academy, Inc. | 250,000 | - | - | 250,000 |
| Prepaid expenses | 118,492 | - | - | 118,492 |
| Total Assets | <u>1,536,334</u> | <u>17,306</u> | <u>25,280</u> | <u>1,578,920</u> |
| <u>Deferred Outflows of Resources</u> | | | | |
| | - | - | - | - |
| <u>Liabilities</u> | | | | |
| Salaries and wages payable | 76,966 | - | - | 76,966 |
| Accounts payable | 440,277 | - | - | 440,277 |
| Due to fund | - | - | 25,280 | 25,280 |
| Total Liabilities | <u>517,243</u> | <u>-</u> | <u>25,280</u> | <u>542,523</u> |
| <u>Deferred Inflows of Resources</u> | | | | |
| | - | - | - | - |
| <u>Fund balance</u> | | | | |
| Nonspendable, not in spendable form | 118,492 | - | - | 118,492 |
| Assigned | - | 17,306 | - | 17,306 |
| Unassigned | 900,599 | - | - | 900,599 |
| | <u>1,019,091</u> | <u>17,306</u> | <u>-</u> | <u>1,036,397</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$1,536,334</u> | <u>\$ 17,306</u> | <u>\$ 25,280</u> | <u>\$ 1,578,920</u> |

Mater Academy St. Cloud
(A charter school under Mater Academy Central, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds \$ 1,036,397

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

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

| | | |
|--------------------------------|------------------|-----------|
| Capital assets | 1,355,029 | |
| Less: accumulated depreciation | (796,348) | |
| Right of use lease asset | 7,599,409 | |
| Less: accumulated amortization | <u>(447,024)</u> | 7,711,066 |

Non-current assets are not recoverable in the current period
and therefore, are not reported in the fund. 14,100

Receivables in governmental activities that are not collected
within 60 days are not current financial resources and
therefore are not reported in the governmental funds. 46,564

Long term liabilities were not due and payable in the current
period and, therefore, are not reported in the governmental
funds. (8,778,894)

Total Net Position - Governmental Activities \$ 29,233

Mater Academy St. Cloud
(A charter school under Mater Academy Central, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2022

| | General Fund | Non-Major Funds | Capital Projects Fund | Total Governmental Funds |
|--|------------------|-----------------|-----------------------|--------------------------|
| Revenues: | | | | |
| State passed through local | \$ 2,788,922 | \$ - | \$ - | \$ 2,788,922 |
| State capital outlay funding | - | - | 257,300 | 257,300 |
| Federal sources | - | 74,221 | - | 74,221 |
| Charges and other revenue | 869,617 | 55,021 | - | 924,638 |
| Total Revenues | 3,658,539 | 129,242 | 257,300 | 4,045,081 |
| Expenditures: | | | | |
| Current | | | | |
| Instruction | 1,483,391 | 74,221 | - | 1,557,612 |
| Student support services | 33,559 | - | - | 33,559 |
| Instructional staff training | 14,227 | - | - | 14,227 |
| Board | 32,462 | - | - | 32,462 |
| School administration | 490,013 | - | - | 490,013 |
| Fiscal services | 58,425 | - | - | 58,425 |
| Food services | 1,450 | - | - | 1,450 |
| Central services | 96,141 | - | - | 96,141 |
| Student transportation services | 98,226 | - | - | 98,226 |
| Operation of plant | 377,288 | - | - | 377,288 |
| Maintenance of plant | 61,078 | - | - | 61,078 |
| Administrative technology services | 37,579 | - | - | 37,579 |
| Community Services | 52,830 | 51,290 | - | 104,120 |
| Capital Outlay: | | | | |
| Right to use lease asset | - | - | 7,599,409 | 7,599,409 |
| Other capital outlay | 16,234 | - | - | 16,234 |
| Debt Service: | | | | |
| Repayment of Principal | - | 117,388 | 144,999 | 262,387 |
| Interest on long-term debt | - | 16,084 | 376,677 | 392,761 |
| Total Expenditures | 2,852,903 | 258,983 | 8,121,085 | 11,232,971 |
| Excess (deficit) of revenues over expenditures | 805,636 | (129,741) | (7,863,785) | (7,187,890) |
| Other financing sources (uses): | | | | |
| Transfers in (out) | (397,848) | 133,472 | 264,376 | - |
| Increase in lease liability | - | - | 7,599,409 | 7,599,409 |
| Net change in fund balance | 407,788 | 3,731 | - | 411,519 |
| Fund Balance at beginning of year | 611,303 | 13,575 | - | 624,878 |
| Fund Balance at end of year | \$ 1,019,091 | \$ 17,306 | \$ - | \$ 1,036,397 |

Mater Academy St. Cloud
 (A charter school under Mater Academy Central, 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, 2022

Net Change in Fund Balance - Governmental Funds \$ 411,519

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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization expense.

| | | |
|---|------------------|-----------|
| Capital outlay expenditures | 16,234 | |
| Right of use lease asset capital outlay | 7,599,409 | |
| Depreciation and amortization expense | <u>(706,518)</u> | 6,909,125 |

The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds differed repayments.

| | | |
|---|----------------|--------------------|
| Long-term liabilities issued | (7,612,913) | |
| Principal payments on long-term liabilities | <u>262,387</u> | <u>(7,350,526)</u> |

Change in Net Position of Governmental Activities \$ (29,882)

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Mater Academy St. Cloud (the "School"), is a component unit and a charter school sponsored by the School District of Osceola County, Florida (the "District"). The School is considered a component unit of such District. The School's charter is held by Mater Academy Central, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Mater Academy Central, Inc., which is composed of five members and also governs other charter schools. Mater Academy Central, Inc. is a single member entity controlled by Mater Academy, Inc. Both entities have board of director members in common. The board of directors has determined that no component units exist that would be require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Osceola County, Florida. The current charter expires on June 30, 2023 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School is located in St. Cloud, Florida for students from kindergarten through eighth grade and is funded by the District. These financial statements are for the year ended June 30, 2022, when on average 390 students were enrolled for the school year.

Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

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 about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also 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 such as Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues and other miscellaneous sources.

Note 1 – Summary of Significant Accounting Policies (continued)

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, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. The School reports the following major governmental funds with all non-major funds aggregated in a single column:

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

Capital Projects Fund – accounts for state and local capital outlay as authorized by Charter School Capital Outlay, Section 1013.62, Florida Statutes mainly for capital outlay.

Measurement Focus and Basis of Accounting

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 Guidance*.

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, 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 liabilities of the current period. The School considers revenues to be available if they are collected within 60 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. Charges for services and fees are recognized when cash is collected as amounts are not measurable. 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. Fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services, and school administration). Revisions to the annual budget are approved by the Board.

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School follows the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, GASB Statement No. 72, *Fair Value Measurement and Application*, and other related standards which establish accounting and financial reporting standards for all investments (see Note 2). Money market investment that have maturities of one year or less from the date of acquisition are reported at amortized cost rather than fair value. Amortized cost closely approximates fair value.

Inter-fund Transfers

Interfund receivables/payables are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Prepaid Expenses and Other Assets

Other assets consist mainly of prepaid expenses which are payments for goods or services that have not been consumed or used at year end. The expenditure will be recorded when the asset is used. Accordingly, prepaid expenses are equally offset by a nonspendable fund balance classification.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government wide statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds.

Note 1 – Summary of Significant Accounting Policies (continued)

The right to use assets are initially measure at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease. Estimated useful lives, in years, for capital assets are as follows:

| | |
|-----------------------------------|--------------|
| Furniture, Equipment and Fixtures | 5 - 10 Years |
| Right of use asset (building) | 17 Years |
| Computer software | 3 Years |
| Motor vehicles | 5 Years |

Due from Other Governments or Agencies

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work 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 out 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 sick days available to be used in future benefits 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue Sources

Revenues for current operations are received primarily from the state 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, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District.

Finally, the School also receives 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 expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Net Position and Fund Balance Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three (3) components:

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for a specific purpose, it is the Schools's policy to use restricted resources first, until exhausted, before using unrestricted resources.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund financial statements

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

- a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories and prepaid expenses.
- b) 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. There are no restricted balances at year end.
- c) 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. There are no committed fund balances at year end.
- d) 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. Assigned fund balances at year end pertain to the School's Internal Account.
- e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Long-Term Debt and Liabilities

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

Income Taxes

Mater Academy Central, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(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 accounting principles generally accepted in the United States 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.

New Accounting Standard Adopted

In fiscal year 2022, the School adopted a new statement of financial accounting standard issued by the Governmental Accounting Standards Board: Statement No. 87, *Leases*. See Note 7.

Note 1 – Summary of Significant Accounting Policies (continued)

In fiscal year 2022, the School adopted GASB issued Statement No. 92, Omnibus. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021. These changes were incorporated in the School's 2022 financial statements and had no effect.

Pronouncements Issued But Not Yet Effective

GASB has issued GASBS Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 20, 2022, which is the date the financial statements were available to be issued.

Note 2 – Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2022:

| | Balance 07/01/21 | Additions | Reclassifications | Balance 06/30/22 |
|--|--------------------------|----------------------------|--------------------|----------------------------|
| Capital Assets: | | | | |
| Depreciable: | | | | |
| Furniture, equipment and fixtures | \$ 1,078,041 | \$ 16,234 | \$ - | \$ 1,094,275 |
| Computer software | 40,687 | - | - | 40,687 |
| Motor vehicles | 220,067 | - | - | 220,067 |
| Total Capital Assets | <u>\$ 1,338,795</u> | <u>\$ 16,234</u> | <u>\$ -</u> | <u>\$ 1,355,029</u> |
| Less Accumulated Depreciation: | | | | |
| Furniture, equipment and fixtures | \$ (480,554) | \$ (212,262) | \$ - | \$ (692,816) |
| Computer software | (33,431) | (3,218) | - | (36,649) |
| Motor vehicles | (22,869) | (44,014) | - | (66,883) |
| Total Accumulated Depreciation | <u>\$ (536,854)</u> | <u>\$ (259,494)</u> | <u>\$ -</u> | <u>\$ (796,348)</u> |
| Total Capital Assets, being depreciated, net | <u>\$ 801,941</u> | <u>\$ (243,260)</u> | <u>\$ -</u> | <u>\$ 558,681</u> |
| Lease Asset: | | | | |
| Right of use lease asset (building) | \$ - | \$ 7,599,409 | \$ - | \$ 7,599,409 |
| Less accumulated amortization | - | (447,024) | - | (447,024) |
| Total Lease Assets being amortized, net | <u>-</u> | <u>7,152,385</u> | <u>-</u> | <u>7,152,385</u> |
| Governmental Activities Capital Assets, net | <u><u>\$ 801,941</u></u> | <u><u>\$ 6,909,125</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 7,711,066</u></u> |

Note 2 – Capital Assets (continued)

For the fiscal year ended June 30, 2022, depreciation and amortization expense are allocated in the Statement of Activities by function as follows:

| | <u>Depreciation</u> | <u>Amortization</u> |
|---------------------------------|---------------------|---------------------|
| Instruction | \$ 162,581 | \$ - |
| School administration | 19,218 | - |
| Student transportation services | 22,903 | - |
| Food service | 25,518 | - |
| Operation of plant | 27,947 | 447,024 |
| Maintenance of Plant | 1,327 | - |
| Total Expense | <u>\$ 259,494</u> | <u>\$ 447,024</u> |

Note 3 – Cash and Investments

Deposits

The School maintains its cash in two financial institutions. Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Mater Academy Central, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Mater Academy Central, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2022, bank balances in potential excess of FDIC coverage were approximately \$48,000.

Investments

The School follows the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2022, the School had \$660,000 invested in a governmental money market mutual fund that is exempt from GASB 72 fair value hierarchy disclosures. The governmental money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of June 30, 2022, maturities of the fund’s portfolio holdings are approximately 87% within 30 days.

Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated government money market mutual funds. The fund is rated Aaa-mf by Moody’s and issued by Morgan Stanley.

Note 3 – Cash and Investments (continued)

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2022, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

Note 4 – Education Service and Support Provider

Academica Broward, LLC, an education service and support provider, provides administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting, financial reporting and virtual services. The agreement between the School and the education service and support provider calls for a fee on a per student basis. The agreement is with Mater Academy Central, Inc. through June 30, 2027, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2022, the School incurred \$175,276 in fees, of which approximately \$64,000 are included in accounts payable.

Note 5 – Transactions with Mater Academy, Inc.

As described in Note 1, Mater Academy Central, Inc. and Mater Academy, Inc. are affiliated entities. Mater Academy, Inc. charges an assessment to all its affiliated schools for shared corporate costs and accreditation expenses. During 2022, the School paid \$58,425 to the Corporation for these shared costs.

Recoverable Grant

The School has received a total of \$2,040,000 (\$1,240,000 in prior periods and \$800,000 in the current year) of recoverable grants from Mater Academy, Inc. The purpose of these grants was for the School to fund operating expenses with repayment contingent on the school subsequently meeting certain financial conditions. To date, management has determined that the School has not met the requirements for repayment under the grant terms. The maximum amount the School may be required to pay in the future should the school meet the requirements for repayment is \$2,040,000.

Note 6 – Interfund Transfers

Due from / due to balances in the governmental funds as of June 30, 2022 consist of the following:

| | General Fund | Non-Major Funds | Capital Projects Fund |
|---|-------------------|--------------------|--------------------------|
| To fund debt service fund for principal and interest payments | \$ 397,848 | \$ 133,472 | \$ 264,376 |
| Total Transfers, net | <u>\$ 397,848</u> | <u>\$ 133,472</u> | <u>\$ 264,376</u> |
| | General Fund | Non-Major Funds | Capital Projects Fund |
| Due to General Fund from Capital Projects Fund for capital outlay | \$ 25,280 | \$ - | \$ (25,280) |
| Total Due from/(Due to) | <u>\$ 25,280</u> | <u>\$ -</u> | <u>\$ (25,280)</u> |

Note 7 – Long-Term Liabilities

Lease

Effective July 1, 2018, the Mater Academy Central, Inc. entered into a Lease Agreement on behalf of the School with St. Cloud School Development, LLC (the “Landlord”), for the Leased Premises as identified in the Agreement and located at 1925 Nora Tyson Road, St. Cloud, Florida. The Landlord is an affiliate of the School’s educational service and support provider (see Note 4). Initial fixed annual payments under the Lease Agreement (based on \$18.00 per square foot) are \$664,764, adjusted annually and commencing on the third annual lease year based on the Consumer Price Index (CPI), plus additional property costs including repairs, maintenance and insurance. For the third lease year the fixed rent was subject to an enrollment of \$30,000 per month. The agreement continues through June 30, 2038 (“initial term”), with an option to renew for two additional five-year term periods. Under the Lease Agreement, Mater Academy Central, Inc. must meet certain covenants and requirements, including a “Lease Payment Coverage Ratio” of not less than 1.10 to 1.00. The Lease Agreement is guaranteed by Mater Academy, Inc.

The School has implemented GASB Statement No. 87 Leases, and as a result recorded a lease right of use asset and liability in these financial statements. At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The School has used an average effective interest for several borrowings during FY 2021 and 2022. The average borrowing rate was 5% which was used to discount the annual lease payments to recognize the intangible right to use this asset and the lease liability as of June 30, 2022.

For the year ended June 30, 2022, interest expense totaled \$376,677 as it relates to its lease agreement. For the year ended June 30, 2022, variable and other payments of \$32,777 in connection with the lease agreement not previously included in the measurement of the lease liability were recorded in rent expense.

Note 7 – Long-Term Liabilities (continued)

Annual requirements to amortize the lease liability and related interest are as follows:

| Year ending: | Principal | Interest | Total | |
|--------------|--------------|--------------|---------------|--------------------------------|
| 2023 | \$ 312,136 | \$ 365,632 | \$ 677,768 | |
| 2024 | 328,105 | 349,662 | 677,767 | |
| 2025 | 344,892 | 332,876 | 677,768 | |
| 2026 | 362,537 | 315,231 | 677,768 | |
| 2027 | 381,085 | 296,682 | 677,767 | |
| 2028-2032 | 2,218,614 | 1,170,225 | 3,388,839 | (Total for a five year period) |
| 2033-2037 | 2,847,277 | 541,562 | 3,388,839 | (Total for a five year period) |
| 2038 | 659,764 | 18,005 | 677,769 | |
| | \$ 7,454,410 | \$ 3,389,875 | \$ 10,844,285 | |

Changes in long-term lease liabilities during the year as follows:

| | Balance 07/01/21 | Advances | Repayments | Balance 06/30/22 |
|---------------------------------|---------------------|--------------|--------------|---------------------|
| Lease liability - building | \$ - | \$ 7,599,409 | \$ (144,999) | \$ 7,454,410 |
| Lease liability - deferred rent | - | 13,504 | - | 13,504 |
| Lease payable | \$ - | \$ 7,612,913 | \$ (144,999) | \$ 7,467,914 |

Long-term liabilities with third parties

The School shares the \$2,500,000 revolving line of credit with Mater Brighton Lakes Academy, Mater Palms Academy and Mater Academy Preparatory High School, all charter schools under Mater Academy Central, Inc. The facility bears an interest rate of 1.15% per annum and is due in full with all accrued interest at the amended maturity date of October 1, 2022. The line of credit is secured by a certificate of deposit in the name of Mater Academy Inc. As of June 30, 2022, the outstanding balance that pertains to the School is \$1,096,360.

On June 25, 2019, the School obtained financing collateralized by equipment from a financial institution for a total loan balance of \$285,520. The terms require the loan to be repaid in 48 monthly installments that include principal and interest at a fixed interest rate of 3.95%. As of June 30, 2022 the balance due was at \$81,868.

On June 12, 2020 and May 27, 2021 the School obtained financing collateralized by motor vehicles (school buses) from a financial institution for a total loan balance of \$105,551 and 114,516 respectively. The terms require the loan to be repaid in five yearly installments that include principal and interest at a fixed interest rate of 6.20% and 6.25% respectively. As of June 30, 2022 the balances due totaled \$132,752.

Note 7 – Long-Term Liabilities (continued)

The following schedule provides a summary of long-term debt for the period:

| | Balance 07/01/21 | Advances | Repayments | Balance 06/30/22 |
|--------------------------|---------------------|-------------|---------------------|---------------------|
| Revolving line of credit | \$ 1,096,360 | \$ - | \$ - | \$ 1,096,360 |
| Equipment financing | 154,319 | - | (72,451) | 81,868 |
| Motor vehicles financing | 177,689 | - | (44,937) | 132,752 |
| Long term notes payable | <u>\$ 1,428,368</u> | <u>\$ -</u> | <u>\$ (117,388)</u> | <u>\$ 1,310,980</u> |

Future total debt service requirements related to the promissory note are as follows as of June 30, 2022:

| Year ending: | Principal | Interest | Total |
|--------------|-------------------|------------------|-------------------|
| 2023 | \$ 116,775 | \$ 10,151 | \$ 126,926 |
| 2024 | 50,369 | 5,713 | 56,082 |
| 2025 | 22,951 | 2,969 | 25,920 |
| 2026 | 24,525 | 1,528 | 26,053 |
| | <u>\$ 214,620</u> | <u>\$ 20,361</u> | <u>\$ 234,981</u> |

Note 8 – Commitments, Contingencies and Concentrations

Contingencies and Concentrations

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2022, administrative fees withheld by the School District totaled \$90,924.

Food Service Agreement

The School entered into a food service agreement with the School Board of Osceola County (“Sponsor”) to provide a lunch program for its students. Revenues and certain expenses related to this program are reflected in the Sponsor’s books and not in the School’s financial statements.

Note 9 – 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 any of the past three fiscal years. In addition, there were no reductions in insurance coverage from those in the prior year.

The School has entered into a strategic relationship with ADP TotalSource, Inc., a human resource management firm, typically known as “Professional Employer Organization” (PEO). Under a co-employment agreements, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resources and risk management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

Note 9 – Defined Contribution Retirement Plan

The School’s personnel, who are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School will match 100% of the employee’s contribution 4% up to of the employee’s compensation. The School contributed to the Plan \$21,510 for the year ended June 30, 2022. The School does not exercise any control or fiduciary responsibility over the Plan’s assets, which are administered by Voya Financial.

REQUIRED SUPPLEMENTARY INFORMATION

Mater Academy St. Cloud
(A charter school under Mater Academy Central, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2022

| | General Fund | | |
|---|-------------------|-------------------|---------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| State passed through local | \$ 2,690,802 | \$ 2,770,591 | \$ 2,788,922 |
| Charges and other revenue | 842,788 | 865,184 | 869,617 |
| Total Revenues | <u>3,533,590</u> | <u>3,635,775</u> | <u>3,658,539</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction | 1,565,223 | 1,499,511 | 1,483,391 |
| Student support services | 5,000 | 33,585 | 33,559 |
| Instructional staff training | 18,500 | 17,708 | 14,227 |
| Board | 30,375 | 36,421 | 32,462 |
| School administration | 498,597 | 491,798 | 490,013 |
| Fiscal services | 67,500 | 63,237 | 58,425 |
| Food Services | 4,500 | 3,523 | 1,450 |
| Central services | 100,500 | 96,141 | 96,141 |
| Student transportation services | 93,611 | 100,419 | 98,226 |
| Operation of plant | 378,158 | 377,628 | 377,288 |
| Maintenance of plant | 100,000 | 63,026 | 61,078 |
| Administrative technology services | 29,870 | 42,008 | 37,579 |
| Community services | 58,000 | 56,151 | 52,830 |
| Total Current Expenditures | <u>2,949,834</u> | <u>2,881,156</u> | <u>2,836,669</u> |
| Excess (Deficit) of Revenues Over Current Expenditures | <u>583,756</u> | <u>754,619</u> | <u>821,870</u> |
| Capital Outlay | | | |
| Other capital outlay | <u>16,500</u> | <u>16,500</u> | <u>16,234</u> |
| Total Capital Outlay and Debt Service Expenditures | <u>16,500</u> | <u>16,500</u> | <u>16,234</u> |
| Total Expenditures | <u>2,966,334</u> | <u>2,897,656</u> | <u>2,852,903</u> |
| Excess (Deficit) of Revenues Over Expenditures | 567,256 | 738,119 | 805,636 |
| Other financing sources (uses): | | | |
| Transfers in (out) | <u>(456,628)</u> | <u>(400,960)</u> | <u>(397,848)</u> |
| Net change in fund balance | 110,628 | 337,159 | 407,788 |
| Fund Balance at beginning of year | <u>611,303</u> | <u>611,303</u> | <u>611,303</u> |
| Fund Balance at end of year | <u>\$ 721,931</u> | <u>\$ 948,462</u> | <u>\$ 1,019,091</u> |

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.



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

To the Board of Directors of
Mater Academy St. Cloud
St. Cloud, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mater Academy St. Cloud (the "School") 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 and have issued our report thereon dated September 20, 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 determination of 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 *Government Auditing Standards*.

We issued a separate management letter dated September 20, 2022 pursuant to Chapter 10.850, Rules of the Auditor General.

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.

Handwritten signature in blue ink that reads "HLB Gravier, LLP".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 20, 2022



MANAGEMENT LETTER

To the Board of Directors of
Mater Academy St. Cloud
St. Cloud, Florida

Report on the Financial Statements

We have audited the financial statements of Mater Academy St. Cloud, St. Cloud, Florida, as of and for the year ended June 30, 2022, and have issued our report thereon dated September 20, 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 Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 20, 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. Corrective actions have been taken to address the findings recommendation made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of education of the entity is Mater Academy St. Cloud, 0202.

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 Mater Academy St. Cloud has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that Mater Academy St. Cloud 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 Mater Academy St. Cloud. It is management's responsibility to monitor Mater Academy St. Cloud'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 recommendation to improve financial management. In connection with our audit, we did not have any recommendations.

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to report the results of our determination as to whether Mater Academy St. Cloud maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Mater Academy St. Cloud 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 note 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 Florida House of Representatives, the Florida Auditor General, School District of Osceola County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 20, 2022