

LAKE EOLA CHARTER SCHOOL, INC.
FINANCIAL STATEMENTS
(Audited)

Year Ended June 30, 2023

LAKE EOLA CHARTER SCHOOL, INC.
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DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Lake Eola Charter School, Inc.

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Eola Charter School, Inc. (the School), a component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2023 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 opinions, 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 Lake Eola Charter School, Inc. as of June 30, 2023, and the respective changes in its net 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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.

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 auditors' 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.

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 4 to 7 and page 20, respectively, 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 21, 2023, 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 *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Orlando, Florida
September 21, 2023

Holland & Riley

LAKE EOLA CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2023

This discussion of Lake Eola Charter School, Inc.'s (the School) financial performance provides an overview of the School's activities for the year ended June 30, 2023. It should be read in conjunction with the financial statements.

Reporting Entity

In July 2004, Lake Eola Charter School Foundation, Inc. (the Foundation) was created to assist the School in fundraising efforts. The financial statements for the year ended June 30, 2023 include the activities of the School and the Foundation and the combined activities are referred to as "the School" throughout these financial statements.

Overview of the Financial Statements

The organization-wide and fund financial statements are combined for this report, as all activities of the School are governmental activities and the School is deemed to be a single-program government. The report consists of the organization-wide and fund statements, notes to the financial statements, and other required supplementary information. The statements are designed to provide readers with an overview of the School's finances in a manner similar to a private-sector business.

The Statement of Net Position and Governmental Funds Balance Sheets present the School's assets and liabilities as of June 30, 2023. The difference between assets and liabilities is presented as net position/fund balance. Increases or decreases in the amount of net position/fund balance serves as an indicator of whether the combined financial condition is improving or deteriorating.

The Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances presents information related to how the School's net position/fund balance changed during the most recent fiscal year. The School's organization-wide financial statements uses the economic resources measurement focus and the accrual basis of accounting, whereby changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Governmental activities are primarily supported by state and local sources, and charges for services.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. Reconciliation of the organization-wide and fund financial statements is provided in Note 2 on page 14.

Notable Items

- The School experienced an increase in net position of \$83,207. In the prior year, net position increased \$124,548.
- The School received \$109,558 in PECO capital outlay revenue.
- Current enrollment is approximately 189 students, kindergarten – eighth grade.

The Government-wide Financial Statements are presented in the right column of pages 8 and 9. Net position may serve over time as a useful indicator of the School's financial position. At the close of the fiscal year, net position was \$1,394,278. Of that amount, \$560,512 or 40% of total net position, represents the School's net investment in capital assets, and is thus not available for future spending, with a balance of \$833,766 available for School operations. GASB 34 does not allow net position to be represented as "restricted" unless there are external legal restrictions on how it may be used. The School had no restrictions on its net position.

LAKE EOLA CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2023

Financial Analysis

Government-wide Financial Statements

Net Position	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 688,824	\$ 582,974
Investments	205,270	201,480
Due from other agencies	10,867	27,818
Prepaid items	14,180	14,638
Capital assets	<u>1,540,792</u>	<u>1,624,430</u>
Total assets	<u>\$ 2,459,933</u>	<u>\$ 2,451,340</u>
Current liabilities	85,375	46,761
Non-current liabilities	<u>980,280</u>	<u>1,093,839</u>
Total liabilities	<u>1,065,655</u>	<u>1,140,600</u>
Net Position		
Net investment in capital assets	560,512	530,591
Unrestricted	<u>833,766</u>	<u>780,149</u>
Total net position	<u>1,394,278</u>	<u>1,310,740</u>
Total liabilities and net position	<u>\$ 2,459,933</u>	<u>\$ 2,451,340</u>
Changes in Net Position		
Program revenues - charges for services	17,548	19,350
General Revenues		
Federal revenues	26,082	120,625
State revenues	1,677,134	1,652,895
Local revenues	159,376	139,472
Investment earning gains (losses)	<u>12,431</u>	<u>(9,746)</u>
Total revenues	<u>1,892,571</u>	<u>1,922,596</u>
Expenses		
Instruction - basic	1,088,214	1,056,995
Instruction - exceptional	99,035	107,592
Pupil personnel services	45,555	39,937
Instruction and curriculum development	45,185	47,897
School board	22,459	35,497
School administration	171,773	160,212
Fiscal services	59,859	58,683
Operation of plant	238,922	250,616
Interest	<u>36,985</u>	<u>40,619</u>
Total expenses	<u>1,807,987</u>	<u>1,798,048</u>
Other financing sources (uses)		
Loss on disposition of capital assets	<u>(1,377)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,377)</u>	<u>-</u>
Increase in net position	83,207	124,548
Net position, beginning of year	<u>1,311,071</u>	<u>1,186,523</u>
Net position, end of year	<u>\$ 1,394,278</u>	<u>\$ 1,311,071</u>

**LAKE EOLA CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2023**

Fund Financial Statements

Financial statements are presented by fund in the first four columns of pages 8 and 9. Governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements.

The General Fund is the main operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$634,064. The total fund balance of the School was \$836,625 consisting of total assets of \$919,141 less liabilities of \$82,516. Cash, cash equivalents and investments comprised 97% of the total fund assets of the School.

Overall, the governmental funds experienced an excess of revenues over expenditures of \$52,955. Federal revenues for all governmental funds decreased (\$94,543). ESSER funds (Elementary and Secondary School Emergency Relief Fund) and other smaller grants such as Title II, Title IV, and Safety grants were \$120,625 in the prior year and only \$26,082 this year. Investment earnings showed an overall gain of \$12,431 compared to a (\$9,746) overall loss in the prior year. Additionally, General Fund amounts due from other agencies represents amounts for the ESSER grant of \$9,094 and \$1,773 Title II grant.

General Fund revenues exceeded expenditures by \$15,362. In the prior year, General Fund revenues exceeded expenditures by \$513. The increase is primarily due to the decreases in expenditures being greater than the decrease in revenues.

Capital Assets and Long-Term Debt

The School and Foundation had a total of \$6,500 in capital asset additions, primarily consisting of a copier. There were numerous dispositions of capital assets this year. See Note 4 for additional information on capital assets.

The School's facility was refinanced in December 2020, and the interest rate was reduced from 5.59% to 3.5%. The loan term is ten years and will be paid in full on November 1, 2030. Principal reductions on the new loan were \$113,559. Interest paid on the loan was \$37,316. The balance of this mortgage loan payable was \$980,280 at June 30, 2023. See Note 5 for additional information on long-term debt.

General Fund and Capital Outlay Fund – Budget and Actual

A comparison of budgeted and actual amounts is shown on page 20 of the financial statements. The original budget for the year ended June 30, 2023 was revised in June 2023. Major changes reflected in the revised budget were an increase in state source revenue, as well as increases in most of the functional expenditures of the School.

Economic Factors and Next Year's Budget

State and local revenues are expected to be similar to the year ended June 30, 2023 amounts. Florida Education Finance Program revenues as well as Public Education Capital Outlay revenue are expected to remain consistent with last year's funding. A \$70,000 increase in federal grant funds is budgeted and instructional salaries are expected to increase approximately 2%. Additional federal grant funds will continue to be available and the School will access this funding as necessary. The School currently expects an excess of revenues over expenditures in the amount of \$2,371 for the year ending June 30, 2024.

Additionally, the School's enrollment continues to be impacted by the previous national pandemic. Families have increasingly opted for alternative means of education other than enrolling their children in a brick and mortar school. The School will amend its F/Y 23/24 budget accordingly once the potential impact to the School's revenues and expenditures are known.

LAKE EOLA CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2023

Requests for Information

This financial report is designed to provide a general overview for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School's Director, Lake Eola Charter School, Inc., 135 Magnolia Avenue, Orlando, FL 32801.

LAKE EOLA CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEETS
June 30, 2023

	<u>Governmental Funds</u>					<u>Adjust- ments</u>	<u>Statement of Net Position</u>
	<u>General Fund</u>	<u>Foundation Fund</u>	<u>Capital Outlay</u>	<u>Building Fund</u>	<u>Total</u>		
Assets							
Cash and cash equivalents	\$ 567,771	\$ 120,816	\$ -	\$ 237	\$ 688,824	\$	\$ 688,824
Investments	123,762	81,508			205,270		205,270
Due from other agencies	10,867				10,867		10,867
Prepaid items	14,180				14,180		14,180
Capital assets not being depreciated					-	422,314	422,314
Capital assets, net of accumulated depreciation					-	1,118,478	1,118,478
Total assets	\$ 716,580	\$ 202,324	\$ -	\$ 237	\$ 919,141	\$ 1,540,792	\$ 2,459,933
Liabilities							
Accounts payable	15,463				15,463		15,463
Accrued liabilities	67,053				67,053		67,053
Accrued interest payable					-	2,859	2,859
Long-term liabilities:							
Due within one year					-	118,117	118,117
Due after one year					-	862,163	862,163
Total liabilities	82,516	-	-	-	82,516	983,139	1,065,655
Fund Balances/Net Position							
Fund balances:							
Assigned				237	237	(237)	-
Unassigned	634,064	202,324			836,388	(836,388)	-
Total fund balances	634,064	202,324	-	237	836,625	(836,625)	-
Total liabilities and fund balances	\$ 716,580	\$ 202,324	\$ -	\$ 237	\$ 919,141		
Net position:							
Net investment in capital assets						560,512	560,512
Unrestricted						833,766	833,766
Total net position						\$ 1,394,278	\$ 1,394,278

See accompanying notes.

LAKE EOLA CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
for the year ended June 30, 2023

	<u>Governmental Funds</u>					Adjust- ments	Statement of Activities
	General Fund	Foundation Fund	Capital Outlay	Building Fund	Total		
Expenditures/Expenses							
Instruction - basic	\$ 1,077,260	\$	\$	\$	\$ 1,077,260	\$ 10,954	\$ 1,088,214
Instruction - exceptional	99,035				99,035		99,035
Pupil personnel services	45,555				45,555		45,555
Instruction and curriculum development	45,185				45,185		45,185
School board	22,459				22,459		22,459
School administration	171,537	236			171,773		171,773
Fiscal services	59,859				59,859		59,859
Operation of plant	241,751	3,586	109,558		354,895	(115,973)	238,922
Debt service:							
Principal		113,559			113,559	(113,559)	-
Interest		37,316			37,316	(331)	36,985
Total expenditures/expenses	<u>1,762,641</u>	<u>154,697</u>	<u>109,558</u>	<u>-</u>	<u>2,026,896</u>	<u>(218,909)</u>	<u>1,807,987</u>
Program Revenues							
Charges for services	17,548				17,548		17,548
Net program expense							<u>1,790,439</u>
General Revenues							
Federal sources	26,082				26,082		26,082
State sources	1,567,576		109,558		1,677,134		1,677,134
Local sources	159,275	187,381			346,656	(187,280)	159,376
Investment earnings (losses)	7,522	4,909			12,431		12,431
Total general revenues	<u>1,760,455</u>	<u>192,290</u>	<u>109,558</u>	<u>-</u>	<u>2,062,303</u>	<u>(187,280)</u>	<u>1,875,023</u>
Excess of revenues over (under) expenditures	15,362	37,593	-	-	52,955	(52,955)	
Other financing sources (uses):							
Loss on disposition of capital assets					-	(1,377)	(1,377)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,377)</u>	<u>(1,377)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	15,362	37,593	-	-	52,955	(52,955)	
Change in net position						83,207	83,207
Fund balance/net position							
Beginning of year	618,702	164,731	-	237	783,670	527,401	1,311,071
End of year	<u>\$ 634,064</u>	<u>\$ 202,324</u>	<u>\$ -</u>	<u>\$ 237</u>	<u>\$ 836,625</u>	<u>\$ 557,653</u>	<u>\$ 1,394,278</u>

See accompanying notes.

LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity - Lake Eola Charter School, Inc. (the School) is part of the Florida system of public education under the general direction of the Florida Department of Education (Department). The School was created pursuant to Chapter 228, Florida Statutes, following approval of its charter by the District School Board of Orange County, Florida (School Board). Current enrollment is approximately 189 students in grades K through 8. The School Board approved the charter effective for the 1998/1999 school years. The original charter expired June 30, 2001 and the School Board approved a new charter that covered the period July 1, 2001 to June 30, 2016. In December 2010, the School Board approved a new charter that covers the fifteen-year period July 1, 2011 to June 30, 2026. The charter is subject to annual review and may be terminated during the term of the charter. In the event the School is dissolved or terminated, any public unencumbered funds and all school property purchased with public funds automatically revert to the School Board.

The Florida Department of Education has concluded that Florida charter schools are component units of the sponsoring school board. To facilitate accounting and reporting to school boards, charter schools are encouraged to use the governmental reporting model and follow the fund and account structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools - The Red Book", issued by the Department. The School is required by contract with the School Board to use the governmental reporting model and The Red Book.

As required by U.S. generally accepted accounting principles, the financial reporting entity consists of (1) the primary government, (2) organizations for which the School is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The School is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School. Based on these criteria, the School's management examined all organizations that were legally separate in order to determine which organizations, if any, should be included in the School's financial statements. Management determined that Lake Eola Charter School Foundation, Inc. (the Foundation) is the only organization that should be included in the School's financial statements as a component unit.

Based upon a review of these criteria, the following addresses the blended component unit included in the School's reporting entity.

Lake Eola Charter School Foundation, Inc. – The Foundation was created on July 30, 2004 as a not-for-profit corporation under Chapter 617 of the Florida Statutes. Its purpose is to assist the School in fundraising and building maintenance. The Foundation owns the School's facility and the School guarantees the Foundation's indebtedness on the facility. The Foundation is treated as a blended component unit because of the closeness of the relationship with the School.

LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

Government-wide and Fund Financial Statements – The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the activities of the School. The effect of interfund activities has been removed from these statements. The School has only governmental activities and does not engage in any business-type activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services for goods and services provided to participants on a voluntary basis. General revenues represent amounts received from federal, state and local sources. Fund financial statements are presented for the School's General, Foundation, Capital Outlay, and Building Funds.

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 recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When both restricted and unrestricted resources are available for use to pay expenses, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and long-term debt agreements are recorded only when payment is due.

The School reports the following major governmental funds:

General Fund – accounts for all financial resources not required to be accounted for in another fund and for certain revenues from federal and State sources that are legally restricted to be expended for specific current operating purposes.

Foundation Fund – accounts for the financial resources of Lake Eola Charter School Foundation, Inc. and its fundraising activities for the School.

Capital Outlay Fund – to account for financial resources (Public Education Capital Outlay) to be used for acquisition or funding of major capital facilities or equipment.

The School reports the following non-major governmental fund:

Building Fund – to account for the financial resources (Education Facilities Revenue Bonds) to be used for the acquisition and funding of the School's facility and related improvements.

LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

Budgets and Budgetary Accounting – Budgets are prepared and original budgets are adopted annually for certain governmental funds in accordance with procedures and time intervals prescribed by the Board of Directors (Board) of the School. During the fiscal year ended June 30, 2023, the Board adopted an annual budget for the General Fund. A budget is not adopted for the Foundation Fund, Capital Outlay Fund, or the Building Fund. The School is not required to submit its budget to any regulatory agencies.

Appropriations are controlled at the object level (e.g. salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

Internal Receivables and Payables – Activity between funds representative of lending/borrowing arrangements outstanding at fiscal year-end are referred to as internal receivables and internal payables.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand accounts, and money market accounts. Cash deposits are held by banks qualified as public depositories under Florida law. All deposits with financial institutions are insured by Federal depository insurance (FDIC) up to \$250,000 per financial institution. Any balance in excess of FDIC insurance is covered by collateral held by the School’s custodial banks, which are “qualified public depositories” and pledged to a state trust fund in accordance with the “Florida Security for Public Deposits Act”, Chapter 280 Florida Statutes. This statute requires every qualified public depository institution to maintain sufficient eligible collateral to secure the public entity’s funds. Money market accounts are stated at fair value.

Investments – Investments within the General Fund and Foundation Fund consist of common stocks and mutual funds and are stated at fair value as determined in an active market. These investments are uninsured as they are not covered by FDIC insurance or the State of Florida’s collateral trust fund.

Capital Assets – Capital assets consist of land, building and building improvements, furniture, fixtures, and equipment. Capital assets purchased in the governmental funds are recorded as expenditures at time of purchase. Such assets are recorded in the government-wide financial statements at historical cost or estimated historical cost if purchased or constructed. Capital assets are defined as assets with a cost of \$1,000 or more. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation has been provided on capital assets as a direct charge using the straight-line method over the estimated useful lives of the various classes of depreciable assets, as follows:

	<u>Years</u>
Building	30
Building improvements	5-15
Furniture, fixtures and equipment	3-5

Long-Term Obligations – In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position.

LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

State Revenue Sources - Revenue from State sources for current operations are primarily from the Florida Education Finance Program (FEFP) administered by the Florida Department of Education under the provisions of Section 1011.60, Florida Statutes. In accordance with this law, the Board determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTEs and related data and calculates the allocation of funds to the School. The School is permitted to amend its original reporting for a period of one year following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 2% administrative fee from the School which is reflected in the accompanying financial statements.

The State provides financial assistance to administer certain categorical educational programs. Florida Department of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires categorical educational program revenues be accounted for in the General Fund.

The State allocates gross receipt taxes, generally known as Public Education Capital Outlay money, to local school boards on an annual basis. The boards are authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Florida Department of Education. The School Board remits funds to the School on a monthly basis. Revenue is recognized when the School Board allocates and remits funds to the School's account.

Fund Balances – In accordance with GASB Statement 54, the School is required to report fund balance amounts in five classifications – nonexpendable and the spendable categories of restricted, committed, assigned, and unassigned, as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements. The School had no nonspendable fund balance amounts at June 30, 2023.

Restricted – amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The School had no restricted fund balance amounts at June 30, 2023.

Committed – amounts that can be used only for specific purposes pursuant to constraints imposed by formal action by the School's highest level of decision-making authority. The School's Board of Directors addresses these commitments through formal board action prior to the School's year end. The School had no committed fund balance amounts at June 30, 2023.

Assigned – amounts intended to be used for specific purposes that are considered neither restricted nor committed. Fund balance amounts may be assigned by the School's Board of Directors and/or the Executive Committee if so delegated by the School's Board of Directors. The School had \$237 in assigned fund balance amounts at June 30, 2023 pertaining to funds to be used for acquisition of major capital facilities or equipment, or major repairs.

**LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies - continued

Unassigned – includes residual positive fund balance within the General Fund not classified within the other above-mentioned categories. Unassigned fund balances may also include negative fund balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The School uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless prohibited by legal documents/contracts. Thereafter, the School would first use committed, then assigned, and lastly unassigned amounts.

The School has no formal minimum fund balance policy, nor has it established any stabilization arrangements within fund balances.

Use of Unrestricted versus Restricted Resources – The School’s policy is to use restricted resources before using unrestricted resources when both are available to pay expenses.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from those estimates.

Income Taxes – The School and the Foundation are Florida not-for-profit organizations that are exempt from state and federal income tax under Internal Revenue Service Code Section 501(c)(3). Accordingly, no provision for federal or state income taxes has been recorded in these financial statements.

2. Reconciliation of Government-Wide and Fund Financial Statements

Adjustments were made to include capital assets (net of accumulated depreciation), accrued interest payable, and promissory note payable on the statement of net position. This resulted in a net difference of \$557,653 between ending governmental fund balances and total net position.

Governmental fund balances	\$ 836,625
Capital assets, net	1,540,792
Accrued interest payable	(2,859)
Note payable	(980,280)
Total net position	<u>\$ 1,394,278</u>

Adjustments were made primarily to eliminate note principal payments, and capital outlay expenditures, which are offset by recording depreciation expense, accrued interest on the note payable, and the loss on disposition of capital assets. This resulted in a net difference of \$30,252 between "excess of expenditures over revenues" and "change in net position".

Excess of revenues over expenditures	\$ 52,955
Add: Principal payments	113,559
Capital outlay expenditures	6,500
Interest expense	331
Less: Depreciation expense	(88,761)
Loss on disposition of capital assets	(1,377)
Change in net position	<u>\$ 83,207</u>

**LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

3. Cash, Cash Equivalents and Investments

At June 30, 2023, the School and Foundation maintained the following cash, cash equivalents and investments:

	Carrying amount		
	School	Foundation	Total
Cash and cash equivalents:			
Cash	\$ 517,016	107,189	624,205
Money market	50,755	13,864	64,619
	\$ 567,771	121,053	688,824
Investments:			
Common stocks	-	1,033	1,033
Mutual funds	123,762	80,475	204,237
	\$ 123,762	81,508	205,270

The School's and Foundation's activities related to investments for the year ended June 30, 2023, are as follows:

	School	Foundation	Total
Interest income	\$ 8,584	4,396	12,980
Unrealized gain (loss)	(1,062)	513	(549)
	\$ 7,522	4,909	12,431

At June 30, 2023, the School's investments have an unrealized loss of \$26,245 and the Foundation's investments have an unrealized loss of \$1,862.

Neither the School nor the Foundation have adopted a formal investment policy. Thus, there are no policies relative to interest rate risk or credit risk.

Risk Categories

Concentration of credit risk is the risk of loss attached to the magnitude of investments in a single issuer. Individual investments in excess of 5% of total investments were:

	Cost	Fair Value
Loomis Sayles Senior Float RT and Fixed Income Fund C (School)	\$150,007	\$123,762
Franklin Income Fund A (Foundation)	81,146	78,789

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 or Foundation 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 or Foundation 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, 2023, all of the School's and Foundation's investments were held in a separate account designated as assets of the School or Foundation.

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The School and Foundation manages its exposure to declines in fair value by investing in mutual funds with a diversified portfolio.

**LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

4. Capital Assets

The following is a summary of changes in capital assets during the fiscal year:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 422,314	-	-	422,314
Capital assets being depreciated:				
Building	1,689,254	-	-	1,689,254
Building improvements	749,727	-	(20,728)	728,999
Furniture, fixtures and equipment	219,100	6,500	(61,784)	163,816
Total capital assets being depreciated	<u>2,658,081</u>	<u>6,500</u>	<u>(82,512)</u>	<u>2,582,069</u>
Less accumulated depreciation for:				
Building	646,773	53,569	-	700,342
Building improvements	654,392	17,738	(19,351)	652,779
Furniture, fixtures and equipment	154,800	17,454	(61,784)	110,470
Total accumulated depreciation	<u>1,455,965</u>	<u>88,761</u>	<u>(81,135)</u>	<u>1,463,591</u>
Total capital assets being depreciated, net	<u>1,202,116</u>	<u>(82,261)</u>	<u>(1,377)</u>	<u>1,118,478</u>
Total capital assets, net	<u>\$ 1,581,753</u>	<u>(82,261)</u>	<u>(1,377)</u>	<u>1,540,792</u>
Depreciation was charged to functions as follows:				
Instruction - basic				\$ 17,454
Operation of plant				<u>71,307</u>
				<u>\$ 88,761</u>

5. Long-Term Obligation

In October 2020, the Foundation refinanced its debt on the school facility with a financial institution with a balance of \$1,265,478 including closing costs. The refinanced debt has a 3.5% interest rate, payable in monthly installments of principal and interest of \$12,546, and is due November 1, 2030. Collateral for the debt includes the School's facility, assignment of leases and other items specified in a security agreement dated October 30, 2020. The School is a guarantor of the Foundation's debt obligation.

Under terms of the refinanced debt, upon any default as specified in the bond documents (i.e., failure to pay amounts when due or upon final maturity, false statements, bankruptcy, insolvency, foreclosure proceedings, possession by a receiver, failure to comply with certain debt covenants, among others), all amounts due under the bonds become immediately due and payable. Should the lender employ attorneys to enforce performance of any obligation specified in the debt documents, the Foundation is responsible for reasonable attorneys' fees and other expenses incurred by the lender.

**LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

5. Long-Term Obligation – continued

Annual debt service requirements to maturity are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	118,117	32,427	150,544
2025	122,318	28,226	150,544
2026	126,669	23,875	150,544
2027	131,174	19,370	150,544
2028	135,839	14,705	150,544
2029-2031	<u>346,163</u>	<u>15,224</u>	<u>361,387</u>
Total	<u>\$ 980,280</u>	<u>\$ 133,827</u>	<u>\$1,114,107</u>

Following is a summary of changes in the long-term obligation during the current year:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Loan Payable	<u>\$1,093,839</u>	<u>-</u>	<u>113,559</u>	<u>980,280</u>	<u>118,117</u>

Interest expense for the year ended June 30, 2023 was \$36,985.

6. Facility Lease

Effective December 16, 2010, the date of the School facility purchase by the Foundation, the School entered into a ten-year lease with the Foundation at \$13,607 monthly, with options to renew for three ten-year periods. This lease was amended in December 2016, increasing the monthly rent to \$15,607. The lease was again amended effective January 1, 2021 and runs for ten years to November 2030. The other terms of the lease remain the same. Total rent expense under this lease was \$187,280 for the year ended June 30, 2023. This interfund activity has been removed from the government-wide financial statements. Future obligations under the lease are as follows:

Year ending <u>June 30,</u>	<u>Amount</u>
2024	\$ 187,280
2025	187,280
2026	187,280
2027	187,280
2028	187,280
2029-2031	<u>452,594</u>
	<u>\$1,388,994</u>

7. Related Parties

One Board member is a teacher representative of the School. Also, the son of the assistant director was paid \$1,200 for computer services.

**LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

8. Contingent Liabilities

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

9. Risk Management Programs

The School is exposed to various risks related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disaster. General liability, automotive, and health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. There have been no significant reductions in insurance coverage during the year ended June 30, 2023. Settled claims resulting from these risks have not exceeded commercial coverage for the past three years.

10. Fair Value of Financial Assets and Liabilities

The following are the major categories of assets measured at June 30, 2023, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and, significant unobservable inputs (Level 3).

Description	6/30/2023	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 1,033	1,033		
Mutual funds	204,237	204,237		
	<u>\$ 205,270</u>	<u>205,270</u>	<u>-</u>	<u>-</u>

Level 1 – Represented by quoted prices that are available in an active market.

11. Employee Retirement Plan

The School has a Simplified Employee Pension – Individual Retirement Agreement (SEP-IRA), which covers substantially all employees meeting certain minimum requirements. The plan is entirely employer funded and contributions are based on 10% of participants' compensation and directed to individual employee's accounts. The School's contribution for the year ended June 30, 2023 was \$100,180, of which \$25,078 is reflected as an accrued liability on the statement of net position and governmental funds balance sheets. The School has no liability for the administration of the plan, and accordingly, the related benefits of the plan are not reflected in the accompanying financial statements.

**LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

12. Concentrations

Revenue Sources – The School receives a substantial amount of its funding from the Orange County District School Board. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the School’s programs and activities.

13. Schedule of State and Local Revenue Sources

Following is a schedule of state and local revenue sources in the General Fund:

<u>Sources</u>	<u>Amount</u>
Orange County School Board:	
Florida Education Finance Program	\$ 979,363
ESE guaranteed allocation	41,564
Instructional materials	15,669
Special millage	184,336
Compression adjustment, net	8,128
Supplemental academic instruction	46,267
Safe schools	14,241
Mental health assistance allocation	9,116
Teacher salary increase allocation	54,879
Funds compression allocation	1,882
Class size reduction	198,667
Reading allocation	10,614
Prior year adjustment	(1,050)
Total school board sources	1,563,676
State Teacher Lead funds	<u>3,900</u>
Total state sources	<u>1,567,576</u>
Local Sources:	
Passed through Orange County School Board:	
Discretionary millage funds	127,266
Other:	
Contributions and gifts	25,176
Miscellaneous	<u>6,833</u>
Total local sources	<u>159,275</u>
Total state and local sources	<u>\$ 1,726,851</u>

14. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through September 21, 2023, the date on which the financial statements were available to be issued.

LAKE EOLA CHARTER SCHOOL, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

for the year ended June 30, 2023

	Budgeted Amounts		Actual	Positive (Negative) Variance
	Original	Final	Amounts	
General Fund				
General Revenues:				
Federal sources	\$ 71,250	\$ 75,000	\$ 26,082	\$ (48,918)
State sources	1,626,581	1,712,190	1,567,576	(144,614)
Local sources	16,224	17,078	159,275	142,197
Investment earnings (losses)	1,900	2,000	7,522	5,522
Program Revenues:				
Charges for services	17,318	18,230	17,548	(682)
Total revenues	1,733,273	1,824,498	1,778,003	(46,495)
Expenditures:				
Instruction - basic	1,067,470	1,123,650	1,077,260	46,390
Instruction - exceptional	78,422	82,549	99,035	(16,486)
Pupil personnel services	1,687	1,776	45,555	(43,779)
Instruction and curriculum development	-	-	45,185	(45,185)
School board	14,850	14,900	22,459	(7,559)
School administration	326,955	344,164	171,537	172,627
Fiscal services	19,669	20,705	59,859	(39,154)
Operation of plant	214,653	225,951	241,751	(15,800)
Total expenditures	1,723,706	1,813,695	1,762,641	51,054
Excess of revenues over (under) expenditures	9,567	10,803	15,362	4,559
Other financing sources (uses):	-	-	-	-
Excess of revenues and other financing sources (uses) over expenditures	9,567	10,803	15,362	4,559
Fund balance at beginning of year	345,479	620,128	618,702	(1,426)
Fund balance at end of year	\$ 355,046	\$ 630,931	\$ 634,064	\$ 3,133

Note 1. Budgets are prepared and original budgets are adopted annually for certain governmental funds in accordance with procedures and time intervals prescribed by the Board of Directors (Board) of the School. During the fiscal year ended June 30, 2023, the Board adopted an annual budget for the General Fund, which was amended one time in June 2023. A budget is not adopted for the Foundation Fund, Capital Outlay Fund, or the Building Fund. The School is not required to submit its budget to any regulatory agencies.

Note 2. Appropriations are controlled at the object level (e.g. salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

HOLLAND & REILLY

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DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

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
Lake Eola Charter School, Inc.

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 *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 Lake Eola Charter School, Inc. (the School), a component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2023, 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 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, 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 School'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 warrant 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 have not been 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 *Government Auditing Standards*.

Purpose of this Report

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

Holland & Rilly

Orlando, Florida
September 21, 2023

HOLLAND & REILLY

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DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

To the Board of Directors of
Lake Eola Charter School, Inc.

We have audited the financial statements of Lake Eola Charter School, Inc. (the School) as of and for the year ended June 30, 2023 and have issued our report thereon dated September 21, 2023.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated September 21, 2023, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General.

The official title and school code of the entity assigned by the Florida Department of Education are Lake Eola Charter and 0056.

The Rules of the Auditor General (Section 10.854(1)(e)) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal controls:

- 1) Any recommendations to improve financial management.
- 2) 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 warrant the attention of those charged with governance.
- 3) For matters that do not warrant the attention of those charged with governance, the following may be reported based on professional judgment:
 - a) Noncompliance with provisions of contracts or grant agreements, fraud or abuse,
 - b) Deficiencies in internal control that are not material weaknesses or significant deficiencies.

No matters came to the attention of the auditors, that, in our judgment, are required to be reported.

Based on our audit procedures performed, the School did not meet any of the conditions described in Florida Statutes Section 218.503(1).

The auditors applied financial condition assessment procedures. 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.

We determined the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

This management letter is intended solely for the information of the Board of Directors and management of Lake Eola Charter School, Inc., the District School Board of Orange County, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Orlando, FL
September 21, 2023



AUDITORS' COMMENTS – CURRENT YEAR

NONE

STATUS OF PRIOR YEAR COMMENTS

NONE