

**ACHIEVEMENT ACADEMY, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**



**M<sup>c</sup>CRADY | HESS**  
CERTIFIED PUBLIC ACCOUNTANTS

## Table of Contents

	<b>Pages</b>
Independent Auditor's Report	1 - 2
Basic Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6
Statement of Functional Expenses	7
Notes to Financial Statements	8 - 19



## **Independent Auditor's Report**

To the Board of Directors of Achievement Academy, Inc.

We have audited the accompanying financial statements of Achievement Academy, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Achievement Academy as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2016, on our consideration of Achievement Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Achievement Academy's internal control over financial reporting and compliance.

*MC CRADY HESS*

Orlando, FL  
September 23, 2016

**ACHIEVEMENT ACADEMY, INC.**

**Statements of Financial Position**

<b>ASSETS</b>	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
Current assets:		
Cash and cash equivalents	\$ 205,729	\$ 149,063
Restricted cash	7,380	15,547
Due from other agencies	81,638	82,216
Pledges receivable	19,643	16,252
Prepaid expenses	24,629	39,728
Total current assets	339,019	302,806
Property and equipment, net	1,353,427	1,417,471
Investments	114,458	161,434
Land held for sale, net of impairment	500,000	500,000
Other assets	3,681	4,079
Total assets	\$ 2,310,585	\$ 2,385,790
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 26,410	\$ 110,234
Current portion of long-term debt	52,826	50,740
Total current liabilities	79,236	160,974
Long-term debt, less current portion	877,435	930,002
Total liabilities	956,671	1,090,976
Net assets:		
Unrestricted net assets:		
Undesignated	677,983	600,749
Board designated	72,817	72,817
Net investment in property and equipment	123,460	145,555
Total unrestricted	874,260	819,121
Temporarily restricted net assets:		
Unexpended grants	13,324	17,895
Contributions restricted by donor	166,624	166,624
Net investment in property and equipment	299,706	291,174
Total temporarily restricted	479,654	475,693
Total net assets	1,353,914	1,294,814
Total liabilities and net assets	\$ 2,310,585	\$ 2,385,790

See accompanying notes to financial statements.

**ACHIEVEMENT ACADEMY, INC.**

**Statement of Activities**

**For the Year Ended June 30, 2016**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and revenues:</b>			
Grants, government	\$ 2,516,292	\$ 8,532	2,524,824
Grants, private	45,500	-	45,500
United Way	253,491	-	253,491
Contributions in kind	5,037	-	5,037
Contributions	245,204	-	245,204
Special events	137,750	-	137,750
Program service fees	169,084	-	169,084
Net investment income	3,734	-	3,734
Other Income	48,228	-	48,228
Net assets released from restrictions:			
Satisfaction of program restrictions	4,571	(4,571)	-
Total support, revenue and net assets released from restrictions	3,428,891	3,961	3,432,852
<b>Program services:</b>			
Charter School	2,696,257	-	2,696,257
Birth to three	367,022	-	367,022
Total program services	3,063,279	-	3,063,279
<b>Supporting activities:</b>			
Management and general	109,206	-	109,206
Fund raising	201,267	-	201,267
Total supporting activities	310,473	-	310,473
 Total expenses	 3,373,752	 -	 3,373,752
Change in net assets	55,139	3,961	59,100
Net assets, beginning of year	819,121	475,693	1,294,814
Net assets, end of year	\$ 874,260	\$ 479,654	1,353,914

See accompanying notes to financial statements.

**ACHIEVEMENT ACADEMY, INC.**

**Statement of Activities**

**For the Year Ended June 30, 2015**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and revenues:</b>			
Grants, government	\$ 2,556,130	\$ 7,216	\$ 2,563,346
Grants, private	46,000	-	46,000
United Way	234,647	15,943	250,590
Contributions in kind	34,949	-	34,949
Contributions	159,769	1,323	161,092
Special events	124,813	-	124,813
Program service fees	187,777	-	187,777
Net investment income	1,042	-	1,042
Other Income	50,030	-	50,030
Net assets released from restrictions:			
Satisfaction of program restrictions	109,922	(109,922)	-
Total support, revenue and net assets released from restrictions	<u>3,505,079</u>	<u>(85,440)</u>	<u>3,419,639</u>
<b>Program services:</b>			
Charter School	2,668,624	-	2,668,624
Birth to three	386,826	-	386,826
Total program services	<u>3,055,450</u>	<u>-</u>	<u>3,055,450</u>
<b>Supporting activities:</b>			
Management and general	101,770	-	101,770
Fund raising	188,978	-	188,978
Total supporting activities	<u>290,748</u>	<u>-</u>	<u>290,748</u>
 Total expenses	 <u>3,346,198</u>	 <u>-</u>	 <u>3,346,198</u>
Change in net assets	158,881	(85,440)	73,441
Net assets, beginning of year	<u>660,240</u>	<u>561,133</u>	<u>1,221,373</u>
Net assets, end of year	<u>\$ 819,121</u>	<u>\$ 475,693</u>	<u>\$ 1,294,814</u>

See accompanying notes to financial statements.

**ACHIEVEMENT ACADEMY, INC.**

**Statement of Cash Flows**

	<b>For the Years Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 59,100	\$ 73,441
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	80,334	84,490
Net realized and unrealized loss on investments	-	(146)
Loss on disposal of assets	1,707	-
Net change in assets and liabilities:		
Decrease (increase) in accounts receivable	578	(51,808)
Increase in pledges receivable	(3,391)	(308)
Decrease (increase) in prepaid expenses	15,099	(28,534)
(Increase) decrease in other assets	-	(3,978)
Increase (decrease) in accounts payable and accrued expenses	<u>(83,824)</u>	<u>52,737</u>
Net cash provided by operating activities	<u>69,603</u>	<u>125,894</u>
<b>Cash flows from investing activities:</b>		
Proceeds from the redemption of investments	46,976	-
Purchases of property and equipment	<u>(17,599)</u>	<u>(15,973)</u>
Net cash provided by (used for) investing activities	<u>29,377</u>	<u>(15,973)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on long-term borrowing	<u>(50,481)</u>	<u>(181,780)</u>
Net cash used for financing activities	<u>(50,481)</u>	<u>(181,780)</u>
Net increase (decrease) in cash and cash equivalents	48,499	(71,859)
Cash and cash equivalents, beginning of year	<u>164,610</u>	<u>236,469</u>
Cash and cash equivalents, end of year	<u><u>\$ 213,109</u></u>	<u><u>\$ 164,610</u></u>
<b>Supplemental disclosures:</b>		
Interest paid	<u><u>\$ 40,744</u></u>	<u><u>\$ 46,114</u></u>

See accompanying notes to financial statements.



**ACHIEVEMENT ACADEMY, INC.**

**Statement of Functional Expenses**

**For the Year Ended June 30, 2016**

	Program Services		Supporting Activities		2016 Total	2015 Total
	Charter School	Birth to Three	Management and General	Fund Raising		
Leased employee salaries	\$ 1,523,821	\$ 209,383	\$ 48,641	\$ 83,524	\$ 1,865,369	\$ 1,897,285
Leased employee benefits	256,915	35,068	9,374	25,046	326,403	282,970
Leased employee payroll taxes	127,575	17,412	4,655	12,414	162,056	155,261
Professional fees	223,488	10,608	4,517	3,214	241,827	249,833
Supplies	179,792	37,208	2,076	1,846	220,922	162,093
Telephone	5,874	4,687	1,796	2,240	14,597	16,191
Postage	1,189	506	330	2,339	4,364	5,421
Occupancy	129,221	22,977	25,404	20,955	198,557	213,706
Equipment rental and maintenance	14,554	1,582	-	256	16,392	18,436
Printing and publications	7,617	2,261	2,189	6,204	18,271	20,634
Travel	40,854	4,225	1,276	2,247	48,602	48,079
Conferences and meetings	3,048	1,227	915	1,974	7,164	6,217
Membership dues and continuing education	3,112	654	-	329	4,095	4,553
Miscellaneous	6,735	3,868	-	1,752	12,355	11,981
Administrative fees	47,816	-	-	-	47,816	46,701
Advertising	2,244	792	-	946	3,982	3,383
Insurance	19,361	4,561	-	-	23,922	36,796
Special events expense	-	-	-	35,981	35,981	36,054
Interest	36,670	4,074	-	-	40,744	46,114
Depreciation and amortization	66,371	5,929	8,033	-	80,333	84,490
<b>Total functional expenses</b>	<b>\$ 2,696,257</b>	<b>\$ 367,022</b>	<b>\$ 109,206</b>	<b>\$ 201,267</b>	<b>\$ 3,373,752</b>	<b>\$ 3,346,198</b>

See accompanying notes to financial statements.

# ACHIEVEMENT ACADEMY, INC.

## Notes to Financial Statements

For the Year Ended June 2016 and 2015

### 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

Achievement Academy, Inc. (the "Academy"), formerly known as Child Development Center of Polk County, Inc., was organized to maintain and operate programs for the education, evaluation, and social and physical advancement of children (birth through six years of age) with developmental delays/disabilities and to conduct ongoing programs to educate the general public.

The Academy opened a charter school in 1997 which operates under a charter approval by its sponsor, the School Board of Polk County, Florida (the "School Board"). The governing body of the charter school is the not-for-profit corporation Board of Directors which is composed of 18 members. The Executive Director of Achievement Academy, Inc. is the executive officer of the charter school. The Academy is reaccredited by AdvancED through June of 2018.

The Academy is funded through a variety of sources, including United Way, Florida Department of Education (through the School Board), program fees, contributions and various fund raising events.

#### Basis of Presentation

The financial statement presentation follows the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") guidance for non-profit organizations. The Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Support and revenue are recognized when earned or unconditionally received, and expenses are recognized when incurred. Changes in the net assets of the Academy as a result of support, revenue, expenses, gains and losses are classified based on the existence of any donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Unrestricted - consist of resources available for the various programs and administration of the Academy which have not been restricted by a donor or other outside party.

Board designated funds are established annually by the Board of Directors and represent unrestricted funds which are to be used for future purchases of property and equipment used in the operations of the Academy, net amounts borrowed, if any.

Undesignated net assets are available for the various programs and administration of the Academy.

## ACHIEVEMENT ACADEMY, INC.

### Notes to Financial Statements (continued)

- Temporarily restricted - consist of donor-restricted contributions. Amounts restricted by the donor, grantor, or other outside party for a particular purpose are deemed to be earned and are reported as revenue when received, and such unexpended amounts are reported as temporarily restricted net assets at a year end.

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Academy does not imply a time restriction on gifts of long-lived assets.

- Permanently restricted - consist of donor-restricted contributions which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes.

There are no permanently restricted net assets as of June 30, 2016 and 2015.

Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand; cash in banks and certificates of deposit with original maturities of three months or less when purchased. The carrying amount reported in the statements of financial position for cash and cash equivalents approximates its fair value.

For the year ended June 30, 2016 and 2015, the Academy had restricted cash of \$7,380 and \$15,547, respectively, which includes amounts that have been received but not yet expended for which there are donor-imposed restrictions.

Interest received totaled \$3,734 and \$1,042 for the year ended June 30, 2016 and 2015, respectively.

#### **Investments**

Investments consist of certificates of deposit with maturities greater than three months when purchased, as well as certain investments held and managed for the benefit of the Academy by a private foundation.

**ACHIEVEMENT ACADEMY, INC.**

**Notes to Financial Statements  
(continued)**

**Property and equipment**

Property and equipment are recorded at cost or at their estimated fair value at date of donation. Items costing \$500 or more are capitalized in the statement of financial position, whereas all other items are expensed. Depreciation is provided using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and improvements	10 - 40
Furniture, fixtures, and equipment	3 - 10
Playground equipment	5 - 20

Maintenance and repairs are charged to expense when incurred.

The Academy is subject to accounting guidance related to the impairment or disposal of long-lived assets. This guidance requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and when the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. See Note 6 for impairment of land held for sale.

**Revenue and expense recognition**

Revenues and expenses are recognized on the accrual basis. Contributions subject to donor-imposed restrictions are recorded as temporarily restricted support and are reclassified as unrestricted when the donor-imposed restrictions have been fulfilled or the stipulation of time period has elapsed. Contributions with restrictions that are met during the fiscal year are recorded as unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions that are not fulfilled in the accounting period. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. All expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets, that is, the expiration of the donor-imposed stipulation purpose or the elapsing of the specified time period, are reported as net assets released from restrictions.

Revenues consist primarily of governmental grants, United Way, program service fees and contributions. Expenses consist of the cost of providing the various programs of the academy and operating expenses.

**Concentration of revenue sources**

Approximately 75% of the Academy's revenue is derived from grants from the federal government passed through the State of Florida Department of Education (which is renewed annually) and state and local funds passed through the School Board (which is renewable every ten years). The current level of the Academy's operations and program services may be impacted or certain services discontinued if the funding is not renewed.

## **ACHIEVEMENT ACADEMY, INC.**

### **Notes to Financial Statements (continued)**

#### **Due from other agencies**

Due from other agencies represent amounts due from the School Board, Medicaid and private insurance. Management has determined that the amounts are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary as of June 30, 2016 and 2015.

#### **Pledges receivable**

Pledges receivable represent amounts due from the United Way and other organizations for designated pledges.

#### **Other assets**

Other assets include loan costs which are being amortized over the life of the loan.

#### **Credit risk**

The carrying amounts approximate fair value based on quoted market prices or discounted cash flow analyses for cash equivalents and other financial instruments. The Academy is subject to some credit risk through short-term cash investments which are placed with high credit quality financial institutions. The Academy had approximately \$-0- and \$27,000 in excess of federally insured limits as of June 30, 2016 and 2015, respectively.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### **Income taxes**

The Academy qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. The Academy's income tax returns for 2014, 2013, 2012 are subject to examination by tax authorities, and may change upon examination.

# ACHIEVEMENT ACADEMY, INC.

## Notes to Financial Statements (continued)

### 2 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States (GAAP) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

*Level 2:* Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

*Level 3:* Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available.

This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School's significant financial instruments are cash, accounts receivable, accounts payable, short term borrowings, and other short term assets and liabilities. For these financial instruments (level 1), carrying values approximate fair value because of the short maturity of these instruments.

Estimated fair value of certain measured on a recurring basis at June 30, 2016 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 114,458	\$ -	\$ -	\$ 114,458
Total	<u>\$ 114,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,458</u>

Estimated fair value of certain measured on a recurring basis at June 30, 2015 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 161,434	\$ -	\$ -	\$ 161,434
Total	<u>\$ 161,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,434</u>

**ACHIEVEMENT ACADEMY, INC.**

**Notes to Financial Statements  
(continued)**

**3 DUE FROM OTHER AGENCIES**

Due from other agencies include the following:

	<u>2016</u>	<u>2015</u>
Capital outlay	\$ 3,159	\$ 4,125
Medicaid	71,115	52,148
Interest	41	41
Other receivables	<u>7,323</u>	<u>25,902</u>
Total	<u>\$ 81,638</u>	<u>\$ 82,216</u>

The capital outlay receivables included in the accompanying financial statement is reflected as temporarily restricted net assets since it must be spent for lawful capital outlay expenditures.

Management has determined that the receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary as of June 30, 2016 and 2015.

**4 PLEDGES RECEIVABLE**

Pledges receivable from United Way as of June 30, 2016 and 2015, respectively.

Pledges receivable include the following:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 19,643	\$ 16,252
Total	<u>\$ 19,643</u>	<u>\$ 16,252</u>

Pledges receivable are recorded at the amount pledged, less the discount to present value and the allowance for uncollectible pledges as of June 30, 2016 and 2015.

## ACHIEVEMENT ACADEMY, INC.

### Notes to Financial Statements (continued)

#### 5 PROPERTY AND EQUIPMENT

	<u>2016</u>	<u>2015</u>
Land	\$ 180,620	\$ 180,620
Buildings and improvements	1,996,879	1,989,554
Furniture, fixtures and equipment	426,204	442,784
Playground equipment	44,411	44,411
Vehicles	3,000	3,000
	<u>2,651,114</u>	<u>2,660,369</u>
Less accumulated depreciation	<u>(1,297,687)</u>	<u>(1,242,898)</u>
Total	<u>\$ 1,353,427</u>	<u>\$ 1,417,471</u>

Depreciation expense totaled \$79,936 and \$82,039 for the year ended June 30, 2016 and 2015, respectively.

#### 6 LAND HELD FOR SALE

During fiscal year 2012, the Board approved the sale of land originally held for the construction of a new charter school facility. Management and the Board determined not to proceed with the new facility and placed the land for sale. The cost of the land and site improvements totaled \$1,554,094.

Since the purchase of the land and completion of the site improvements, the Academy has determined the fair value is less than the carrying value of the assets. The fair value of the asset was determined based on an appraisal which was conducted in 2009, which valued the land at \$650,000. Subsequent to the appraisal, comparative land values have continued to decrease. The Academy has not conducted subsequent appraisals. However, based on opinions of experienced real estate professionals working in that area, the fair value was estimated based on comparative land values in the area. The Academy has contracted with land real estate consultants to conduct the sale of the land, which have estimated the sale price of the land of approximately \$400,000 to \$700,000, with an eventual sale of approximately \$500,000.

For the year ended June 30, 2012, the Academy recorded impairments on the land to adjust the book value of the land and site improvements to \$500,000. As a result of the impairment, the Academy recognized an impairment expense of \$1,054,094 for the year ended June 30, 2012. The School did not recognize an additional impairment on assets for the year ended June 30, 2016. The land is reported on the accompanying Statement of Financial Position as land held for the sale, net of impairment as of June 30, 2016 and 2015.



**ACHIEVEMENT ACADEMY, INC.**

**Notes to Financial Statements  
(continued)**

**7 INVESTMENTS**

The Academy has investments that are held by various financial institutions. Investments are reported at fair market value, are held for trading purposes only, and consist of the following:

	<u>2016</u>	<u>2015</u>
Balanced funds (cost)	\$ 114,458	\$ 11,434
1.00% and 1.75% Certificate of Deposit with Bank of Central Florida (used as collateral for loan), due August 2013, cost approximates fair market value	-	150,000
Total	<u>\$ 114,458</u>	<u>\$ 161,434</u>

**8 LONG-TERM DEBT**

Long-term debt is summarized as follows:

	<u>2016</u>	<u>2015</u>
4.25% mortgage note payable to a bank, Interest only until March 2014 then converting to 53 monthly payments of principal and interest of \$4,859 based on a 15 year amortization and a balloon payment of \$496,554, secured by vacant land.	\$ 595,275	\$ 627,465
4.25% mortgage note payable to a bank, 60 months, 59 monthly payments of principal and interest of \$2,268, based on a 15 year amortization and a balloon payment of \$223,063. Secured by Bartow School real estate.	260,024	275,640
Note payable to a bank, with monthly principal and interest payments of \$475 through January 2020 with 4.25% interest per annum. Effective February 2020, monthly principal and interest payments of \$502 with interest calculated based on the weekly average yield on United States Treasury securities plus a margin of 3.00%. A balloon payment \$47,954 due February 2025.	74,962	77,637
	<u>930,261</u>	<u>980,742</u>
Less current portion	<u>(52,826)</u>	<u>(50,740)</u>
Total long-term liabilities	<u>\$ 877,435</u>	<u>\$ 930,002</u>

## ACHIEVEMENT ACADEMY, INC.

### Notes to Financial Statements (continued)

As of June 30, 2016, maturities of long term debt are as follows:

Year ended June 30,	<u>Total</u>
2017	\$ 52,826
2018	55,124
2019	756,195
2020	3,185
2021	3,312
2022-2025	<u>59,619</u>
	<u>\$ 930,261</u>

Interest expense totaled \$40,744 and \$46,114 for the year ended June 30, 2016 and 2015, respectively.

## 9 CREDIT OBLIGATIONS

### Line of credit

In January 2015, the Academy entered into a \$200,000 credit line promissory note with a financial institution. In January 2016, this credit line promissory note was amended from hard maturity to a demand line of credit and principal is due upon demand. The Academy is required to make monthly interest payments, which is calculated based on Wall Street Journal Prime Rate (3.50% as of June 2016). As of June 30, 2016, there was no outstanding balance.

## 10 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Unexpended grants:		
Capital outlay funds restricted for specific purpose	\$ 13,324	\$ 17,895
Contributions by donor:		
Contributions restricted by donor for specific purpose	146,981	150,372
Pledges restricted for 2017 fiscal year	19,643	-
Pledges restricted for 2016 fiscal year	-	<u>16,252</u>
Total	<u>166,624</u>	<u>166,624</u>
Net investment in property and equipment (net of amounts borrowed of \$930,261 and \$980,742 as of June 30, 2016 and 2015, respectively) – use restricted by charter school grant.	<u>299,706</u>	<u>291,174</u>
	<u>\$ 479,654</u>	<u>\$ 475,693</u>

## **ACHIEVEMENT ACADEMY, INC.**

### **Notes to Financial Statements (continued)**

#### **11 CONTRIBUTED MATERIALS, EQUIPMENT AND SERVICES**

Contributed materials and equipment, if any, are recorded in the accompanying financial statements at their fair value at the date of receipt. The Academy received \$4,414 and \$29,360 in donated property and equipment for the years ended June 30, 2016 and 2015, respectively.

A number of other volunteers have donated significant amounts of their time to the Academy's administrative services and in its fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services are not professional in nature, and, as such, do not meet the criteria for recognition as contributed services.

#### **12 GOVERNMENT GRANTS**

The Academy has a contract with the School Board to operate a charter school for a maximum student population of 200. The current charter is effective until June 30, 2022, and may be renewed for up to 10 years by mutual agreement between the charter school and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter, in which case the School Board is required to notify the charter school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown.

Revenues for current operations are received primarily from the District School Board of Polk County, Florida pursuant to the funding provisions included in the charter. As such, the charter school's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education ("FDOE") by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the charter school reports the number of full-time equivalent students and related data to the School Board.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey period. The FDOE may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Generally, such adjustments are treated as reduction or additions of revenues in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. The charter school reported, on average, an enrollment of 156.50 unweighted full-time students for the fiscal year ended June 30, 2016.

The charter school receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes and amounts received are based on the

**ACHIEVEMENT ACADEMY, INC.**

**Notes to Financial Statements  
(continued)**

School's enrollment during the fiscal year. Funds received under this program are restricted to capital outlay expenditures, as detailed in the Florida statutes. Since a claim to the grant proceeds is based upon incurring eligible expenditures, revenue is temporarily restricted and once eligible expenditures have been made, the revenue is reclassified to unrestricted revenue and is reported in the statement of activities as "Net assets released from restrictions."

The charter school also receives federal awards for the enhancement of various education programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. Since a claim to the grant proceeds is based upon incurring eligible expenditures, revenue is temporarily restricted and once eligible expenditures have been made, the revenue is reclassified to unrestricted revenue and is reported in the statement of activities as "Net assets released from restrictions."

Under the terms of the charter, any property and equipment purchased with School Board funds must be returned to the School Board if the contract for the charter school is terminated.

The summary of funds earned during the year ended June 30, 2016 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
School Board	\$2,516,292	\$7,216	\$2,524,824	\$ 2,563,346

The Academy is reimbursed for providing services to Medicaid eligible individuals. Medicaid reimbursements, included as program service fees, earned the years ended June 30, 2016 and 2015, respectively, are as follows:

	<u>2016</u>	<u>2015</u>
Medicaid reimbursements	<u>\$ 153,240</u>	<u>\$ 168,927</u>

**13 FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional expense basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

## **ACHIEVEMENT ACADEMY, INC.**

### **Notes to Financial Statements (continued)**

#### **14 PENSION PLAN AND COMPENSATED ABSENCES**

The Academy adopted a SIMPLE IRA retirement program during 1997. All employees with over six months of service are eligible to participate in the program. Total contributions to the plan by the Academy for the years end June 30, 2016 and 2015 was approximately \$34,000 and \$28,500, respectively, which represented a contribution rate of 3% on wages paid to each participating employee or 100% match of employee contributions (whichever is lower). The Academy has no liability for the administration or payment of benefits of the plan and, accordingly, the present value of the related vested benefits is not reflected in these financial statements.

The Academy's liability for compensated absences was not significant and has not been recorded in these financial statements since it was not considered material to the financial statements taken as a whole.

#### **15 COMMITMENTS AND CONTINGENCIES**

The academy has an agreement with the City of Lakeland to lease the land on which the Academy's building is located. The lease agreement was entered into in 1967 and is for a term of 99 years. There is no annual lease payment. The fair value of the lease has not been recognized as a contribution or reflected as an expense of operations since an objective basis for measuring the value of such lease cannot be determined.

#### **16 SUBSEQUENT EVENTS**

The Academy has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The Academy has evaluated subsequent events through September 23, 2016, which is the date the financial statements were available to be issued.