

ACHIEVEMENT ACADEMY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 and 2017



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Directors of Achievement Academy, Inc.

Report on the Financial Statements

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, 2018 and 2017, and the related Statements of Activities, Cash Flows and Functional Expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Achievement Academy, Inc. as of June 30, 2018 and 2017, and the changes in its net assets, cash flows and functional expenses 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 October 8, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

McCrary & Associates, PLLC

Altamonte Springs, Florida
October 8, 2018

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ACHIEVEMENT ACADEMY, INC.

Statements of Financial Position

ASSETS	June 30,	
	2018	2017
Current assets:		
Cash and cash equivalents	\$ 209,926	\$ 163,930
Restricted cash	17,579	5,140
Due from other agencies	26,866	14,772
Pledges receivable	16,544	15,295
Prepaid expenses	42,395	42,767
Total current assets	313,310	241,904
Property and equipment, net	1,291,228	1,349,330
Investments	191,277	178,944
Land held for sale, net of impairment	500,000	500,000
Other assets	5,561	-
Total assets	\$ 2,301,376	\$ 2,270,178
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 173,660	\$ 180,045
Current portion of long-term debt	-	55,287
Total current liabilities	173,660	235,332
Long-term debt, less current portion	826,797	822,194
Total liabilities	1,000,457	1,057,526
Net assets:		
Unrestricted net assets:		
Undesignated	541,086	498,922
Board designated	72,817	72,817
Net investment in property and equipment	110,721	125,227
Total unrestricted	724,624	696,966
Temporarily restricted net assets:		
Unexpended grants	24,080	9,400
Contributions restricted by donor	198,503	159,665
Net investment in property and equipment	353,712	346,621
Total temporarily restricted	576,295	515,686
Total net assets	1,300,919	1,212,652
Total liabilities and net assets	\$ 2,301,376	\$ 2,270,178

See accompanying notes to financial statements.

ACHIEVEMENT ACADEMY, INC.

Statement of Activities

For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Grants, government	\$ 2,500,944	\$ 24,080	\$ 2,525,024
Grants, private	381,500	-	381,500
United Way	248,923	-	248,923
Contributions in kind	4,848	-	4,848
Contributions	52,314	36,529	88,843
Special events	151,104	-	151,104
Program service fees	112,766	-	112,766
Net investment income	12,680	-	12,680
Other Income	56,272	-	56,272
Net assets released from restrictions:			
Satisfaction of program restrictions	-	-	-
Total support, revenue and net assets released from restrictions	3,521,351	60,609	3,581,960
 Program services:			
Charter School	2,807,393	-	2,807,393
Birth to three	365,788	-	365,788
Total program services	3,173,181	-	3,173,181
 Supporting activities:			
Management and general	105,320	-	105,320
Fund raising	215,192	-	215,192
Total supporting activities	320,512	-	320,512
 Total expenses	3,493,693	-	3,493,693
 Change in net assets	27,658	60,609	88,267
 Net assets, beginning of year	696,966	515,686	1,212,652
 Net assets, end of year	\$ 724,624	\$ 576,295	\$ 1,300,919

See accompanying notes to financial statements.

ACHIEVEMENT ACADEMY, INC.

Statement of Activities

For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Grants, government	\$ 2,502,648	\$ 37,807	\$ 2,540,455
Grants, private	273,300	-	273,300
United Way	241,473	-	241,473
Contributions in kind	27,078	-	27,078
Contributions	46,445	581	47,026
Special events	174,460	-	174,460
Program service fees	95,750	-	95,750
Net investment income	15,481	-	15,481
Other Income	55,778	-	55,778
Net assets released from restrictions:			
Satisfaction of program restrictions	2,356	(2,356)	-
Total support, revenue and net assets released from restrictions	3,434,769	36,032	3,470,801
Program services:			
Charter School	2,807,710	-	2,807,710
Birth to three	352,492	-	352,492
Total program services	3,160,202	-	3,160,202
Supporting activities:			
Management and general	103,071	-	103,071
Fund raising	212,825	-	212,825
Total supporting activities	315,896	-	315,896
Total expenses	3,476,098	-	3,476,098
Change in net assets	(41,329)	36,032	(5,297)
Net assets, beginning of year	738,295	479,654	1,217,949
Net assets, end of year	\$ 696,966	\$ 515,686	\$ 1,212,652

See accompanying notes to financial statements.

ACHIEVEMENT ACADEMY, INC.

Statements of Cash Flows

	For the Years Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 88,267	\$ (5,297)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	81,220	79,374
Loss on disposal of assets	932	-
Net change in assets and liabilities:		
Due from other agencies	(12,094)	66,866
Pledges receivable	(1,249)	4,348
Prepaid expenses	372	(18,138)
Other assets	(5,561)	3,681
Accounts payable and accrued expenses	(6,385)	17,670
	<u>145,502</u>	<u>148,504</u>
Cash flows from investing activities:		
(Purchase) proceeds of investments	-	(50,000)
Purchases of property and equipment	(24,050)	(75,635)
Loss on disposal of assets	-	358
Net realized and unrealized gain on investments	(12,333)	(14,486)
	<u>(36,383)</u>	<u>(139,763)</u>
Net cash used for investing activities		
Cash flows from financing activities:		
Principal payments on long-term borrowing	(50,684)	(52,780)
	<u>(50,684)</u>	<u>(52,780)</u>
Net cash used for financing activities		
	<u>(50,684)</u>	<u>(52,780)</u>
Net increase (decrease) in cash and cash equivalents	58,435	(44,039)
Cash and cash equivalents, beginning of year	169,070	213,109
Cash and cash equivalents, end of year	<u>\$ 227,505</u>	<u>\$ 169,070</u>
Supplemental disclosures:		
Contributed Materials, Equipment and Services	\$ 4,346	\$ 26,358
Interest Paid	\$ 35,797	\$ 38,446

See accompanying notes to financial statements.

ACHIEVEMENT ACADEMY, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2018

	Program Services		Supporting Activities		2018 Total
	Charter School	Birth to Three	Management and General	Fund Raising	
Leased employee salaries	\$ 1,848,126	\$ 224,114	\$ 44,499	\$ 85,131	\$ 2,201,870
Leased employee benefits	307,957	41,453	7,403	28,082	384,895
Leased employee payroll taxes	128,741	17,372	3,094	12,609	161,816
Professional fees	83,710	6,846	4,703	1,579	96,838
Supplies	58,149	9,508	2,127	1,956	71,740
Telephone	6,260	4,000	1,913	2,399	14,572
Postage	791	311	230	960	2,292
Occupancy	141,129	22,126	29,060	24,091	216,406
Equipment rental and maintenance	15,338	2,177	-	338	17,853
Printing and publications	4,864	2,084	1,411	3,311	11,670
Travel	30,962	12,436	1,256	2,458	47,112
Conferences and meetings	4,184	823	1,222	945	7,174
Membership dues and continuing education	4,271	590	-	984	5,845
Miscellaneous	5,962	7,049	236	2,094	15,341
Administrative fees	49,100	-	-	-	49,100
Advertising	951	681	-	-	1,632
Insurance	18,031	4,234	-	-	22,265
Special events expense	-	-	-	48,255	48,255
Interest	32,217	3,580	-	-	35,797
Depreciation	66,650	6,404	8,166	-	81,220
Total functional expenses	\$ 2,807,393	\$ 365,788	\$ 105,320	\$ 215,192	\$ 3,493,693

See accompanying notes to financial statements.

ACHIEVEMENT ACADEMY, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2017

	Program Services		Supporting Activities		2017 Total
	Charter School	Birth to Three	Management and General	Fund Raising	
Leased employee salaries	\$ 1,776,439	\$ 220,148	\$ 44,668	\$ 85,410	\$ 2,126,665
Leased employee benefits	273,603	33,146	6,499	24,734	337,982
Leased employee payroll taxes	132,411	16,096	3,144	13,082	164,733
Professional fees	178,267	7,441	4,949	2,114	192,771
Supplies	51,472	3,376	2,008	2,584	59,440
Telephone	6,255	4,635	1,912	2,431	15,233
Postage	948	376	276	1,146	2,746
Occupancy	136,703	23,270	27,684	23,937	211,594
Equipment rental and maintenance	18,660	3,300	-	123	22,083
Printing and publications	6,116	2,475	1,627	4,721	14,939
Travel	30,606	12,586	1,148	2,896	47,236
Conferences and meetings	2,942	1,082	899	849	5,772
Membership dues and continuing education	3,715	769	-	608	5,092
Miscellaneous	9,485	6,425	280	3,790	19,980
Administrative fees	48,590	-	-	-	48,590
Advertising	430	676	-	-	1,106
Insurance	27,719	6,516	-	-	34,235
Special events expense	-	-	-	44,400	44,400
Interest	34,601	3,845	-	-	38,446
Depreciation	68,748	6,330	7,977	-	83,055
Total functional expenses	<u>\$ 2,807,710</u>	<u>\$ 352,492</u>	<u>\$ 103,071</u>	<u>\$ 212,825</u>	<u>\$ 3,476,098</u>

See accompanying notes to financial statements.

ACHIEVEMENT ACADEMY, INC.

Notes to Financial Statements

For the Year Ended June 2018 and 2017

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 2023.

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 Net Assets - net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- Temporarily Restricted Net Assets - net assets resulting (a) from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements

ACHIEVEMENT ACADEMY, INC.

Notes to Financial Statements (continued)

and diminishments subject to the same kind of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

- Permanently Restricted Net Assets - net assets resulting (a) from contributions and other inflow of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations

There are no permanently restricted net assets as of June 30, 2018 and 2017.

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, 2018 and 2017, the Academy had restricted cash of \$17,579 and \$5,140, respectively, which includes amounts that have been received but not yet expended for which there are donor-imposed restrictions.

Interest received totaled approximately \$2,900 and \$2,300 for the year ended June 30, 2018 and 2017, 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 7 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 70% 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

ACHIEVEMENT ACADEMY, INC.

Notes to Financial Statements (continued)

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.

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, 2018 and 2017.

Pledges receivable

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

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 did not have amounts in excess of federally insured limits as of June 30, 2018 and 2017, 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 2016, 2015, 2014 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, 2018 is as follows:

	Level 1	Level 2	Level 3	Total
Investments	\$ 191,277	\$ -	\$ -	\$ 191,277
Total	\$ 191,277	\$ -	\$ -	\$ 191,277

Estimated fair value of certain measured on a recurring basis at June 30, 2017 is as follows:

	Level 1	Level 2	Level 3	Total
Investments	\$ 178,944	\$ -	\$ -	\$ 178,944
Total	\$ 178,944	\$ -	\$ -	\$ 178,944

ACHIEVEMENT ACADEMY, INC.

Notes to Financial Statements (continued)

3 INVESTMENTS

The Academy has various investments which are held in the Community Foundation. Investments are reported at fair market value, are held for trading purposes only, and consist of the following:

	<u>2018</u>	<u>2017</u>
Givewell Community Foundation Common Fund	\$ 191,277	\$ 178,944
Total	<u>\$ 191,277</u>	<u>\$ 178,944</u>

4 DUE FROM OTHER AGENCIES

Due from other agencies include the following:

	<u>2018</u>	<u>2017</u>
Capital outlay	\$ 6,501	\$ 4,745
Medicaid	12,503	5,051
Interest	41	41
Other receivables	7,821	4,935
Total	<u>\$ 26,866</u>	<u>\$ 14,772</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, 2018 and 2017.

5 PLEDGES RECEIVABLE

Pledges receivable from United Way as of June 30, 2018 and 2017, respectively.

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 16,544	\$ 15,295
Total	<u>\$ 16,544</u>	<u>\$ 15,295</u>

For the years ended June 30, 2018 and 2017, management has deemed an allowance or discounts are not required since the pledges are due and collectible within one year.

ACHIEVEMENT ACADEMY, INC.

Notes to Financial Statements (continued)

6 PROPERTY AND EQUIPMENT

	<u>2018</u>	<u>2017</u>
Land	\$ 180,620	\$ 180,620
Buildings and improvements	2,045,241	2,035,044
Furniture, fixtures and equipment	443,939	445,509
Playground equipment	49,389	44,411
Vehicles	3,000	3,000
Construction in progress	2,350	2,350
	<u>2,724,539</u>	<u>2,710,934</u>
Less accumulated depreciation	<u>(1,433,311)</u>	<u>(1,297,687)</u>
Total	<u>\$ 1,291,228</u>	<u>\$ 1,349,330</u>

Depreciation expense totaled \$81,220 and \$83,055 for the year ended June 30, 2018 and 2017, respectively.

7 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, 2018 or 2017. The land is reported on the accompanying Statement of Financial Position as land held for the sale, net of impairment as of June 30, 2018 and 2017.

ACHIEVEMENT ACADEMY, INC.

**Notes to Financial Statements
(continued)**

8 LONG-TERM DEBT

Long-term debt is summarized as follows:

	2018	2017
<p>The Academy had a 4.25% mortgage note payable to a bank, Interest only until March 2014 then converted 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. During June 2018, the Academy refinanced the note payable. Terms of the loan is interest only payments through June 2019 with fixed interest of 4.95%. Effective July 2019, principal and interest payments of \$4,629 are due monthly until the note matures in June 2023. The note requires a balloon payment of approximately \$406,000 at the maturity date.</p>	\$ 529,452	\$ 561,619
<p>The Academy had a 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. During June 2018, the Academy refinanced the note payable. Terms of the loan is interest only payments through June 2019 with fixed interest of 4.95%. Effective July 2019, principal and interest payments of \$2,253 are due monthly until the note matures in June 2029.</p>	228,077	243,691
<p>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.</p>	69,268	72,171
	826,797	877,481
<p>Less current portion</p>	(0)	(55,287)
<p>Total long-term liabilities</p>	\$ 826,797	\$ 822,194

	Total
Year ended June 30,	
2019	\$ -
2020	46,493
2021	51,930
2022	54,642
2023	458,972
2024-2028	163,427
2029	51,333
	\$ 826,797

ACHIEVEMENT ACADEMY, INC.

Notes to Financial Statements (continued)

Interest expense totaled \$35,797 and \$38,446 for the year ended June 30, 2018 and 2017, respectively.

9 CREDIT OBLIGATIONS

Line of credit

In January 2018, the Academy entered into a \$200,000 revolving line of credit in which principal is due upon demand. The Academy is required to make monthly interest payments, which is calculated based on Wall Street Journal Prime Rate (4.25% as of June 2018). As of June 30, 2018 and 2017, there was no outstanding balance.

10 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Unexpended grants:		
Capital outlay funds restricted for specific purpose	\$ 24,080	\$ 9,400
Contributions by donor:		
Contributions restricted by donor for specific purpose	181,959	144,370
Pledges restricted for 2018 fiscal year	16,544	-
Pledges restricted for 2017 fiscal year	-	15,295
Total	<u>198,503</u>	<u>159,665</u>
Net investment in property and equipment (net of amounts borrowed of \$826,797 and \$877,481 as of June 30, 2018 and 2017, respectively) – use restricted by charter school grant.	<u>353,712</u>	<u>346,621</u>
	<u>\$ 576,295</u>	<u>\$ 515,686</u>

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 \$4,346 and \$26,358 in donated property and equipment for the years ended June 30, 2018 and 2017, 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.

ACHIEVEMENT ACADEMY, INC.

Notes to Financial Statements (continued)

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 156.92 and 157 unweighted full-time students for the fiscal year ended June 30, 2018 and June 30, 2017, respectively..

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 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."

ACHIEVEMENT ACADEMY, INC.

Notes to Financial Statements (continued)

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, 2018 and 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
2018 School Board	\$2,500,944	\$24,080	\$2,525,024
2017 School Board	\$2,502,648	\$37,8007	\$2,540,455

The Academy is reimbursed for providing services to Medicaid eligible individuals. Medicaid reimbursements, included as program service fees, earned the years ended June 30, 2018 and 2017, respectively, are as follows:

	<u>2018</u>	<u>2017</u>
Medicaid reimbursements	<u>\$ 99,752</u>	<u>\$ 81,875</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.

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, 2018 and 2017 was approximately \$43,000 and \$41,000, 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.

ACHIEVEMENT ACADEMY, INC.

**Notes to Financial Statements
(continued)**

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 October 8, 2018, which is the date the financial statements were available to be issued.



**Report of Independent Auditors 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 Achievement Academy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Achievement Academy, Inc, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the organization financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

McCrary & Associates, PLLC

Altamonte Springs, Florida
October 8, 2018

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