

The Learning Academy, Inc.

BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Learning Academy, Inc. (the "School"), a component unit of the Santa Rosa County School District, Florida (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the Schools at June 30, 2018, and the results of its operations for the year then ended, and is not intended to be a complete presentation of the District.

Other Matters

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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 14, 2018, 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 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.

McDonough CPA Solutions, PA

September 14, 2018
Melbourne, Florida

Management's Discussion and Analysis

As management of The Learning Academy, Inc. (the "School"), which is a component unit of the Santa Rosa County School District, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (d) highlight significant issues in individual funds.

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

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$645,658.
- The School's total net position increased by \$62,312.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$199,613.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$198,867.

Overview of the Financial Statements

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

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

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

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

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

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

The governmental-wide financial statements listed on the table of contents of this report.

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

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

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

The School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The general fund and capital outlay fund are considered to be major funds. The basic governmental fund financial statements can be found listed on the table of contents of his report.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules and note to these schedules have been provided to demonstrate compliance with this budget and are listed in the table of contents of this report.

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

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a School's financial position. In the case of the School, for the years ended June 30, 2018 and 2017, assets exceeded liabilities by \$645,658 and \$583,346, respectively.

A significant portion of the School's net position reflects its net investment in capital assets (e.g., land, improvements other than buildings, furniture, fixtures and equipment), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The investment in capital assets, net of related debt totaled \$413,656 at June 30, 2018.

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

The Learning Academy, Inc. Statement of Net Position

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
ASSETS			
Current assets	\$ 204,078	\$ 176,606	\$ 27,472
Capital assets - net	<u>1,512,800</u>	<u>1,564,171</u>	<u>(51,371)</u>
Total assets	<u>1,716,878</u>	<u>1,740,777</u>	<u>(23,899)</u>
LIABILITIES			
Current liabilities	4,465	6,916	(2,451)
Noncurrent liabilities	<u>1,066,755</u>	<u>1,150,515</u>	<u>(83,760)</u>
Total liabilities	<u>1,071,220</u>	<u>1,157,431</u>	<u>(86,211)</u>
NET POSITION			
Net investment in capital assets	446,045	413,656	32,389
Restricted for capital outlay	746	2,739	(1,993)
Unrestricted	<u>198,867</u>	<u>166,951</u>	<u>31,916</u>
Total net position	<u>\$ 645,658</u>	<u>\$ 583,346</u>	<u>\$ 62,312</u>

Current assets decreased as a receivable for FEFP referrals in the prior year but collected at June 30 this year. Capital assets, net increased due to construction of new modular buildings. Total liabilities increased substantially due to financing of the new modular buildings.

The Learning Academy, Inc.
Statement of Activities

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Revenues			
Program revenues			
Operating grants and contributions	\$ 58,706	\$ 39,096	\$ 19,610
Capital grants and contributions	58,800	57,838	962
General revenues			
Florida education finance program	1,340,503	1,317,821	22,682
Other revenues	12,701	11,953	748
	<u>1,470,710</u>	<u>1,426,708</u>	<u>44,002</u>
Expenses			
Basic instruction	520,293	605,649	(85,356)
Psychological services	-	200	(200)
Curriculum development	-	1,028	(1,028)
Staff development	1,388	-	1,388
Board of directors	13,587	11,801	1,786
School administration	215,915	221,309	(5,394)
Facilities	14,721	27,993	(13,272)
Fiscal services	115,358	121,958	(6,600)
Food services	547	1,042	(495)
Staff services	108,300	107,650	650
Transportation	97,816	108,976	(11,160)
Operation of plant	220,908	157,633	63,275
Maintenance of plant	20,379	16,644	3,735
Administrative technology	16,099	16,600	(501)
Debt service	63,087	68,036	(4,949)
	<u>1,408,398</u>	<u>1,466,519</u>	<u>(58,121)</u>
Change in net position	62,312	(39,811)	102,123
Net position - beginning	583,346	623,157	(39,811)
Net position - ending	<u>\$ 645,658</u>	<u>\$ 583,346</u>	<u>\$ 62,312</u>

In current year, revenues decreased due to the increase in student enrollment and local capital improvement tax. Basic instruction decreased due to a decrease in the number of teachers. Facilities and transportation decreased in relationship to the decrease in repairs and

maintenance. Operation of plant decreased as a result of less repairs required with the new buildings. Debt service increased due to the financing obtained for the new buildings.

Financial Analysis of the Government's Funds

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

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

As of the current fiscal year, the School's governmental funds reported a combined ending fund balance of \$199,613.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$198,867.

During the current fiscal year, the fund balance of the School's general fund increased by \$31,916.

General Fund Budgetary Highlights

Actual general fund revenues were less than final budget by \$1,903. Actual general fund expenditures were less than final budget by \$51,713.

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

Capital Asset and Debt Administration

Capital Assets. The School's net investment in capital assets for its governmental type activities as of June 30, 2018 amounts to \$1,512,800. This investment in capital assets includes land, buildings, improvements other than buildings, and furniture, fixtures, and equipment, net of related debt. Additional information on the School's capital assets can be found in Note C.

Debt Administration. As of June 30, 2018, the School had outstanding debt of \$1,066,755.

Economic Factor. A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to increase from 167 students in the current year to 185 students for the 2018/2019 school year.

Request for Information

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

The Learning Academy, Inc.
STATEMENT OF NET POSITION
June 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 201,178
Accounts receivable	2,900
Total current assets	204,078

CAPITAL ASSETS

Capital assets not being depreciated:

Land	185,000
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Capital assets, net of accumulated depreciation:

Buildings and fixed equipment	1,181,473
Leasehold improvements	87,284
Furniture, fixtures and equipment	46,548
Vehicles	12,495

Total capital assets, net	1,512,800
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Total assets	1,716,878
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LIABILITIES

Accounts payable	1,354
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Accrued payroll liabilities	3,111
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Long-term liabilities:

Due within one year	89,843
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Due in more than one year	976,912
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Total liabilities	1,071,220
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NET POSITION

Net investment in capital assets	446,045
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Restricted for:

Capital outlay	746
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Unrestricted	198,867
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Total net position	\$ 645,658
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The Learning Academy, Inc.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

<u>Fuctions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental Activities:					
Basic instruction	\$ 520,293	\$ -	\$ 58,706	\$ -	\$ (461,587)
Staff development	1,388	-	-	-	(1,388)
Board of directors	13,587	-	-	-	(13,587)
School administration	215,915	-	-	-	(215,915)
Facilities	14,721	-	-	58,800	44,079
Fiscal services	115,358	-	-	-	(115,358)
Food services	547	-	-	-	(547)
Staff services	108,300	-	-	-	(108,300)
Transportation	97,816	-	-	-	(97,816)
Operation of plant	220,908	-	-	-	(220,908)
Administrative technology	16,099	-	-	-	(16,099)
Maintenance of plant	20,379	-	-	-	(20,379)
Interest on note payable	63,087	-	-	-	(63,087)
Total governmental activities	<u>\$ 1,408,398</u>	<u>\$ -</u>	<u>\$ 58,706</u>	<u>\$ 58,800</u>	<u>(1,290,892)</u>
General revenues:					
					1,340,503
					12,701
					<u>1,353,204</u>
					62,312
					<u>583,346</u>
					<u>\$ 645,658</u>

The Learning Academy, Inc.
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2018

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 201,178	\$ -	\$ -	\$ 201,178
Due from other agencies	-	2,900	-	2,900
Due from other funds	2,154	-	-	2,154
Total assets	<u>\$ 203,332</u>	<u>\$ 2,900</u>	<u>\$ -</u>	<u>\$ 206,232</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,354	\$ -	\$ -	\$ 1,354
Accrued payroll liabilities	3,111	-	-	3,111
Due to other funds	-	2,154	-	2,154
Total liabilities	<u>4,465</u>	<u>2,154</u>	<u>-</u>	<u>6,619</u>
FUND BALANCES				
Restricted for capital outlay	-	746	-	746
Unassigned	198,867	-	-	198,867
Total fund balances	<u>198,867</u>	<u>746</u>	<u>-</u>	<u>199,613</u>
Total liabilities and fund balances	<u>\$ 203,332</u>	<u>\$ 2,900</u>	<u>\$ -</u>	<u>\$ 206,232</u>

The Learning Academy, Inc.
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION
June 30, 2018

Fund balance - total governmental funds	\$	199,613
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:</p>		
Capital assets	\$	1,869,583
Accumulated depreciation		<u>(356,783)</u>
		1,512,800
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
Note payable	\$	(1,039,068)
Capital lease payable		<u>(27,687)</u>
		<u>\$ (1,066,755)</u>
Total net position of governmental activities		<u><u>\$ 645,658</u></u>

The Learning Academy, Inc.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the year ended June 30, 2018

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Federal passed through state and local	\$ -	\$ -	\$ 58,706	\$ 58,706
State passed through local school district	1,340,503	58,800	-	1,399,303
Other revenues	<u>12,702</u>	<u>-</u>	<u>-</u>	<u>12,702</u>
Total revenues	<u>1,353,205</u>	<u>58,800</u>	<u>58,706</u>	<u>1,470,711</u>
Expenditures				
Current:				
Basic instruction	481,242	-	36,976	518,218
Staff development	-	-	1,388	1,388
Board of directors	13,587	-	-	13,587
School administration	215,915	-	-	215,915
Facilities	-	14,721	-	14,721
Fiscal services	115,358	-	-	115,358
Food services	250	-	-	250
Staff services	108,300	-	-	108,300
Transportation	95,011	-	-	95,011
Operation of plant	134,142	2,311	20,342	156,795
Maintenance of plant	20,379	-	-	20,379
Administrative technology	15,582	-	-	15,582
Debt service	106,223	40,624	-	146,847
Fixed capital outlay	<u>15,300</u>	<u>3,137</u>	<u>-</u>	<u>18,437</u>
Total expenditures	<u>1,321,289</u>	<u>60,793</u>	<u>58,706</u>	<u>1,440,788</u>
Net change in fund balance	31,916	(1,993)	-	29,923
Fund balances at July 1, 2017	<u>166,951</u>	<u>2,739</u>	<u>-</u>	<u>169,690</u>
Fund balances at June 30, 2018	<u>\$ 198,867</u>	<u>\$ 746</u>	<u>\$ -</u>	<u>\$ 199,613</u>

The Learning Academy, Inc.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

Net change in fund balances - total governmental funds \$ 29,923

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

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

Capital outlay	\$ 18,437	
Provision for depreciation	<u>(69,808)</u>	(51,371)

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

Note payable	\$ 51,678	
Capital lease	<u>32,082</u>	83,760

Change in net position of governmental activities		<u><u>\$ 62,312</u></u>
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The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A – SUMMARY OF SIGNIICANT ACCOUNTING POLICIES

1. Reporting entity

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

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

2. Government-wide and fund financial statements

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

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

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

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

4. Cash

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

5. Receivables

The School's management reviewed receivables at June 30, 2018, and determined that the balance was considered fully collectible based on prior experience; therefore, no allowance for doubtful accounts has been provided.

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Interfund activity

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. At the end of the year, the General Fund owed the Capital Outlay Fund \$2,154.

7. Capital assets

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

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

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

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

8. Long-term obligations

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

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Revenue sources

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

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

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

10. Use of estimates

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

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A - OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Income Taxes

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

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

The School files Form 990 in the U.S. federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service three years after a return was due or filed.

12. Fund balance classification

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

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

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

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

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE A - OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Fund balance classification (continued)

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

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

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

NOTE B – CASH

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

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE C – CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital Assets not depreciated:				
Land	\$ 185,000	\$ -	\$ -	\$ 185,000
Total capital assets not depreciated	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>185,000</u>
Capital assets depreciated:				
Buildings and fixed equipment	1,263,234	-	-	1,263,234
Improvements other than buildings	309,211	3,137	-	312,348
Furniture, fixtures and equipment	111,806	-	-	111,806
Vehicles	-	15,300	-	15,300
Total capital assets depreciated	<u>1,684,251</u>	<u>18,437</u>	<u>-</u>	<u>1,702,688</u>
Less accumulated depreciation:				
Buildings and fixed equipment	38,868	42,893	-	81,761
Improvements other than buildings	215,273	9,791	-	225,064
Furniture, fixtures and equipment	50,939	14,319	-	65,258
Vehicles	-	2,805	-	2,805
Total accumulated depreciation	<u>305,080</u>	<u>69,808</u>	<u>-</u>	<u>374,888</u>
Total capital assets, net	<u>\$ 1,564,171</u>	<u>\$ (51,371)</u>	<u>\$ -</u>	<u>\$ 1,512,800</u>

Depreciation expense was charged for the year ended June 30, 2018 to functions of the School as follows:

Administrative technology	\$ 517
Basic instruction	2,076
Food	297
Transportation	2,805
Plant	64,113
	<u>\$ 69,808</u>

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE D – LONG TERM LIABILITIES

Changes in long-term liabilities were as follows:

	Balance at July 1, 2017	Additions	Reductions	Balance at June 30, 2018	Due within one year
Note payable	\$ 1,090,746	\$ -	\$ (74,137)	\$ 1,016,609	\$ 77,736
Capital lease	59,769	-	(9,623)	50,146	12,107
	<u>\$ 1,150,515</u>	<u>\$ -</u>	<u>\$ (83,760)</u>	<u>\$ 1,066,755</u>	<u>\$ 89,843</u>

1. Note payable

The School entered into a promissory note on April 28, 2017, for the purchase and renovations of a new facility, which included a line of credit phase until the total amount of principal had been advanced in the amount of \$1,120,000. Interest only was due and payable on the principal advances during the line of credit phase from May 28, 2017 through October 28, 2017 at a rate per annum of the Wall Street Journal Prime plus 1.0%. Effective October 29, 2017 the note converted to a fixed rate per annum of 4.75%, due in 144 monthly installments of principal and interest of \$10,362 through October 2028.

Future principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2019	77,736	46,611
2020	81,510	42,837
2021	85,467	38,880
2022	89,617	34,731
2023	93,967	8,002
Thereafter	<u>588,312</u>	<u>272,795</u>
	<u>\$ 1,016,609</u>	<u>\$ 443,856</u>

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE D – LONG TERM LIABILITIES (continued)

1. Capital lease payable

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

The lease is for a term of 60 months, requiring monthly payments of \$1,875. At June 30, 2018, assets recorded under the capital lease was as follows:

	Cost	Accumulated Depreciation	Net Book Value
Furniture, fixtures and equipment	\$ 66,222	\$ 7,726	\$ 58,496

The following is a schedule of future minimum lease payments at June 30:

2019	22,500
2020	22,500
2021	22,500
2022	3,750
	71,250
	21,104
	\$ 50,146

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE E – CONCENTRATIONS (continued)

Revenue sources (continued)

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

The following is a schedule of revenue sources and amounts:

School Board of Santa Rosa County, Florida	
Base funding	\$ 679,509
FTE Referral	84,782
Other FEFP	171,636
Class size reduction	16,432
Reading allocation	8,919
Supplemental academic instruction	199,176
Student transportation	72,924
ESE guaranteed allocation	81,061
Discretionary millage	39,663
Discretionary equalization allocation	35,802
Discretionary lottery	267
Instructional materials allocation	12,318
Classroom supply assistance	2,631
Administration fee withheld (5%)	<u>(64,617)</u>
Total	<u><u>\$ 1,340,503</u></u>

NOTE F – COMMITMENTS AND CONTINGENCIES

As of July 8, 2015, the School entered into a management agreement with a third party (“Management Company”) to provide financial, human resource, and administration related assistance to the School at a fee which the School’s Board shall approve annually and shall be a part of the Annual and Amended Budget. Current year management fees and other fees paid to the Management Company totaled \$210,600.

The Learning Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE G – RELATED PARTY

1. Management agreement

The Management Company provides financial, human resources, and administration services based on a contractual arrangement with the School. The Management Company manages the finances and operations and makes recommendations to the School's independent Board of Directors, which makes the final determinations regarding policies and contracts. Total management and other fees charged to operations for the year ended June 30, 2018 were \$210,600 (see Note F).

2. Shared operating expenses

The School shares various operating expenses with schools operated by the same management company. During the year, the School reimbursed shared operating expenses in the amount of \$13,934.

NOTE H – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial liability insurance. Under the plan for property insurance, the School's liability is \$1,000 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2018. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

NOTE I – SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 14, 2018, the date which the financial statements were available for issuance, and has determined that no material events have occurred.

REQUIRED SUPPLEMENTARY INFORMATION

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THE LEARNING ACADEMY, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND
ACTUAL – GENERAL FUND
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
FEFP	\$ 1,196,764	\$ 1,222,802	\$ 1,222,802	\$ -
Lead teacher fund	-	2,631	2,631	-
School recognition funds	-	16,432	16,432	-
Digital allocation	-	4,937	4,937	-
Reading allocation	-	8,919	8,919	-
FEFP referrals	110,000	87,000	84,782	(2,218)
Donations	200	300	300	-
E-Rate	6,500	11,087	11,087	-
Miscellaneous	2,500	1,000	1,315	315
Total revenues	1,315,964	1,355,108	1,353,205	(1,903)
Expenditures				
Salaries	565,000	570,000	565,870	4,130
Bonus funds	-	16,472	16,472	-
Retirement	15,000	16,200	16,200	-
Social Security	43,219	45,000	44,623	377
Group Insurance	91,500	85,000	83,813	1,187
Worker's Comp	11,500	8,436	8,436	-
Unemployment compensation	7,000	4,000	2,170	1,830
Management Fee	210,600	210,600	210,600	-
Audit/Accounting	8,000	8,000	8,000	-
Computer Services	13,500	14,100	14,086	14
Misc. Contract Services	1,000	13,325	13,325	-
Insurance	29,750	37,000	36,775	225
Travel	3,400	3,400	3,058	342
Vehicle/Maint	25,000	25,000	22,717	2,283
Inspections/Fire Ext	1,248	1,248	870	378
Lease-Copier	5,600	5,600	5,274	326
Lease-Equipment	22,500	22,500	22,500	-
Lease-Other	1,500	1,500	848	652
Postage	1,200	1,400	1,319	81
Radios-airtime	1,801	-	-	-
Phone/Internet	19,800	20,500	19,294	1,206
Water/Sewer	5,100	4,600	4,554	46
Printing	1,000	1,000	-	1,000
Pest Control	1,000	1,000	550	450
Security Monitoring	3,000	3,000	1,890	1,110
Misc. Non-prof.Svc	3,000	6,500	4,690	1,810
Elect/Gas	30,000	32,000	30,884	1,116
Gas/Vehicles	18,000	18,000	65	17,935
Supplies	40,000	38,000	33,557	4,443
Instructional Material	12,000	12,000	5,157	6,843
Lunches	1,000	1,000	250	750
Equipment	2,000	-	-	-
Computer Equipment	4,000	7,800	7,768	32
Bus/Van	-	15,300	15,300	-
Software	15,500	13,000	12,564	436
P&I Payments-New Building	69,731	84,021	83,722	299
Fees/Miscellaneous	5,200	6,500	5,553	947
Substitutes/Temporary	8,000	20,000	18,535	1,465
Total expenditures	1,296,649	1,373,002	1,321,289	51,713
Net change in fund balance	19,315	(17,894)	31,916	49,810
Fund balance at July 1, 2017	166,951	166,951	166,951	-
Fund balance at June 30, 2018	\$ 186,266	\$ 149,057	\$ 198,867	\$ 49,810

THE LEARNING ACADEMY, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND
ACTUAL – CAPITAL OUTLAY FUND
For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charter school capital outlay	\$ 65,733	\$ 58,802	\$ 58,800	\$ (2)
Total revenues	65,733	58,802	58,800	(2)
Expenditures				
Misc. Contract Services	-	-		-
Repairs/Maint	12,000	15,000	14,721	279
Equipment	-	2,700	2,311	389
Land Improvements	-	3,200	3,137	63
P&I New Building	54,916	40,627	40,624	3
Total expenditures	12,000	20,900	60,793	731
Net change in fund balance	53,733	37,902	(1,993)	729
Fund balance at July 1, 2017	2,739	2,739	2,739	-
Fund balance at June 30, 2018	\$ 56,472	\$ 40,641	\$ 746	\$ 729

The Learning Academy, Inc.
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE A – BUDGETARY INFORMATION

The School's budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for all governmental fund activities and may be amended by the School's Board of Directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2018, have been amended according to Board procedures.

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

COMPLIANCE INFORMATION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The Learning Academy, Inc. (the School"), a component unit of the Santa Rosa County School District, Florida, as of and for the year ended June 30, 2018 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 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control over financial reporting 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 over financial

reporting 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 School's financial statements are free of 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 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.

McDonough CPA Solutions, PA

September 14, 2018
Melbourne, Florida

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of The Learning Academy, Inc. (the "School"), a component unit of the Santa Rosa County School District, Florida, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated September 14, 2018.

Auditor's Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which are dated September 14, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.85(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, the School did not have prior year findings.

Official Title

Section 10.854(1)(e)1., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is The Learning Academy, Inc.

Financial Condition

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes. Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, requires that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any recommendations in the current year.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Board of Directors, applicable School's management, others within the School, and the Santa Rosa County School District, and is not intended to be and should not be used by anyone other than these specified parties.

McDonough CPA Solutions, PA

September 14, 2018
Melbourne, Florida

MANAGEMENT FINDINGS, RECOMMENDATIONS AND RESPONSES

For the year ended June 30, 2018 and 2017, there were no findings, recommendations or other matters.